PAGE NOT AVAILABLE

PAGE NOT AVAILABLE

THE
JOURNAL OF BANKING,

FROM

JULY 1841 to JULY 1842:

CONTAINING ESSAYS ON VARIOUS QUESTIONS RELATING TO

BANKING AND CURRENCY,

NOTICES OF BANK FAILURES AND BANK DEFAULTS,

THE PRICES OF BANK NOTES AND SPECIE, THE RATES OF EXCHANGE, FOREIGN AND DOMESTIC, AND THE PRICES OF PRODUCE, AT NEW-YORK AND PHILADELPHIA,

AND VARIOUS MISCELLANEOUS ARTICLES.

TO WHICH IS ANNEXED,

A SHORT HISTORY OF

PAPER MONEY AND BANKING

IN THE UNITED STATES, FROM 1690 TO 1832.

TOGETHER WITH AN INQUIRY INTO THE

PRINCIPLES OF THE AMERICAN BANKING SYSTEM,

WITH CONSIDERATIONS OF ITS

EFFECTS ON MORALS AND HAPPINESS.

BY ~~WM.~~ William M. GOUGE.

Philadelphia:
J. VAN COURT, PRINTER, QUARRY ST., BETWEEN SECOND AND THIRD:
For Sale by the Editor, No. 302 Race street; G. B. Zieber, corner of Third & Dock sts.; J. R. Colon, 203½ Chestnut st.;
J. M. Davis, 449 Market st.—BOSTON: Jordan & Co.—NEW-YORK: W. Hayward, 89 Division st.
BALTIMORE. W. Taylor, 12 North street.—WASHINGTON: Frank Taylor.
1842.

DEDICATION.

To our Subscribers generally this work is respectfully dedicated; and especially to—

Judge Watts of New-Orleans; Dr. John H. Duncan, of Fayette, Mississippi: John M. Felder, planter, of Orangeburg, S. C., member of the State Senate: Samuel Yorke At Lee, Attorney-at-Law, Detroit, Michigan: Charles F. Hovey, merchant, of Boston, Mass.: B. G. Shields, member of Congress from Alabama: Mark A. Cooper, member of Congress, Georgia: John M. Wyse and E. W. Wyse, of Pikesville, Baltimore County, Maryland.

And also to the following gentlemen in the following States:—

New-Hampshire, Edmund Burke, member of Congress from Sullivan County; *Massachusetts*, ———, of South Reading: *Connecticut*, F. G. Peabody, of Bridgeport: *New-York*, Judge Fine, of Orwigsburg, former member of Congress; ———, of Potsdam, R. D. Davis, member of Congress, and ———, of Poughkeepsie: Arthur Stewart, of New-York: *New-Jersey*, John Cassidy, of Hackensack, Vice President of Council, of N. J.; Wm. McIlvaine, of Burlington: *Pennsylvania*, Clement C. Biddle, Wm. Fife, John Napier, Joseph R. Evans, Thos. Hulme, Samuel Davis, and W. M. Swain, of Philadelphia; Dr. D. Petriken, former member of Congress, of Danville; Wm. H. Smith, editor of the Mercury, Pittsburg: *Delaware*, Dr. Thos. W. Handy, of Newark: *District of Columbia*, R. Ela, of Washington: *Virginia*, George W. Hopkins, and E. W. Hubard, members of Congress, Edmund Ruffin, Sr., editor of Farmers' Register, Petersburg; Edmund Ruffin, Jr., of Garysville, Prince George County; ———, of Buckingham C. H.: *North Carolina*, R. M. Saunders, member of Congress: *South Carolina*, ———, of Woodville; ———, of Barnwell C. H.: *Georgia*, P. C. Guieu, of Augusta; R. B. Murdock, of Columbus; S. W. Smith, of Warrenton; Chester Hawks, of Cassville; S. C. Prudden, of Eatonton; and Eli Mansfield, of Sparta: *Alabama*, J. L. F. Cottrell, of Haynesville; ———, of Mulberry, P. O.; and ———, of Carter's Hill; ———, of Church Hill; ———, of Benton; *Louisiana*, G. Mayo, of Harrisonburg; J. F. Brent, of Alexandria; R. W. Richardson, of Monroe; James M. Moore, of Vermilionville; James M. Seal, of Farmersville; E. Slaughter, of Baton Rouge; W. Langfitt, of Clinton; Thos. Layton and J. Townsend, of New-Orleans: *Mississippi*, Woodson Wren, of Natchez; Richard Davidson, of Jackson; P. S. Caffrey, of Liberty; Dr. James Hagan, of Vicksburg; E. G. Harris, of Benton; ———, of Brandon; ———, of Warrenton: *Arkansas*, H. A. Whittington, of Hot Springs: *Tennessee*, M. B. Campbell, of Spring Hill; ———, of Fayetteville, ———, of Columbia: *Kentucky*, Linn Boyd, member of Congress; L. B. Holifield, of Mayfield: *Missouri*, Edward Milligan, of St. Louis; Joseph Fawcett, of St. Charles; ———, of Troy: *Illinois*, P. C. Canedy, and ———, of Springfield; N. W. Peddicord, of Decatur; ———, of Columbia: *Indiana*, J. O. Jones, of Terre Haute; ———, of Milton: *Ohio*, Benj. Tappan, and Wm. Allen, of the U. S. Senate; John Hastings, Wm. Medill, John B. Weller, and Ezra Dean, of the U. S. House of Representatives; D. A. Starkweather, former member of Congress, of Canton; Dr. Ephraim Gaston, of Morristown; Dr. S. A. Barker, of Zanesville; J. D. Ringwood, of Oxford; Charles Olcott, of Medina; M. R. Birchard, of Warren; H. N. Wadsworth, of Toledo; Richard Stock, of Clarkson; ———, of Canal Dover; ———, of Ross; ———, of Somerset.

Some of these gentlemen have sent us the names of as many as fifty subscribers, or subscribed to so many on their own account as to make up that number; and to none of them are we indebted for less than four subscriptions. We regret that it is not in our power to give the names of all who have laid us under obligations since we commenced the Journal.

TO THE BINDER.

The most eligible mode of binding this volume, will be by bringing the Historical chapters together. As either four or eight pages in each number are occupied with the History, and as it is printed in a different type from that used in the Journal, there will be but little difficulty in collating the different quarter and half sheets. We ought to have given the History a distinct paging, but we were prevented from so doing by various considerations, one of which was, that we did not expect to bring it to a conclusion in the first volume. Those who are particular on this point can easily give it a new paging with a pencil.

We have made arrangements with Mr. James M. Davis, of 449 Market street, through which such subscribers as may find it convenient to send their copies to him, can have them bound on advantageous terms.

Subscribers who do not live within a convenient distance from a regular bookbinder, can, by attending to the directions on page 17, bind the volume for themselves, in a very substantial manner.

INDEX TO JOURNAL OF BANKING.

TABLE OF CONTENTS OF HISTORY AND INQUIRY.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, July 7, 1841. No. 1.

THIS JOURNAL WILL CONTAIN,

1st. A new edition of "A Short History of Paper Money and Banking in the United States" by Wm. M. Gouge, with corrections and additions, bringing the narrative down to the present time.

2d. Essays on Banking, Currency, Exchanges and kindred topics, in which efforts will be made to place these subjects in the clearest light possible.

3d. A semi-monthly review of THE TIMES, embracing the most important events, especially those which relate to the money and produce markets, and which affect the general operations of business.

4th. Such miscellaneous matter as will, while it will add to the interests of the work, subserve its main object, which is that of showing the true character of our paper money and banking system, and the effect it has on the morals and happiness of different classes of the community.

This Journal will be especially intended for Farmers and Mechanics, but it is hoped it will not prove unuseful to Merchants and other productive members of society.

It will be published once every two weeks. Each number will contain sixteen pages octavo, double column, with the leaves stitched and cut, thus uniting the advantages of the open sheet with a form convenient for binding.

The paper will be fair, and the type good. The price will be,

For one copy, one dollar and fifty cents a year.

For four copies, five dollars, or one dollar and twenty-five cents each.

For ten copies, ten dollars, or one dollar each.

In all cases, subscriptions must be paid in advance.

TO THE READER.

A periodical of this kind can obtain general circulation, only through the assistance of those who are friendly to the objects it is designed to advance. With a view of securing such assistance, a letter, with a copy of the prospectus, was, on the 5th of May last, sent to a number of gentlemen, but as it was found impossible thus to address all whom it was desirable to address, it is respectfully requested that every one into whose hands this number of the Journal of Banking will fall, and who is friendly to the undertaking, will consider the letter which follows, as addressed to him *personally*—as much so as if it was superscribed with his own name, and was throughout in the handwriting of the subscriber.

Philadelphia, May 5th, 1841.

Sir,

I take the liberty to forward to you a prospectus of a new periodical I propose to publish, and, if the design meets your approbation, to solicit your kind exertions in its behalf.

Many persons have urged me to publish a new edition of the "Short History of Paper Money and Banking in the United States," with a continuation, bringing down the narrative to the present time. Eight years have elapsed since it was first presented to the public, and in this interval many incidents have occurred strikingly illustrative of the nature of our paper money and banking system. I have collected materials for the continuation of the history, and being no longer in the public service, have now leisure to execute the work.

For various reasons the periodical form of publication is preferred. The semi-monthly review will embrace a collection of facts having a direct bearing on the immediate interests of all who are engaged in business of any kind; and being given in connection with the history, will unite the present with the past. Arguments and illustrations necessary for the perfect understanding of the system, will be introduced in the form of Essays, without breaking the continuity of the narrative. In its main features, however, "The Journal of Banking" will be historical, and, as "history is philosophy teaching by example," it is thought this will be the most effective way of diffusing the truth in relation to a subject in which every member of the community is deeply interested.

The price of the work has been fixed very low, with the intent of placing it within the reach of all who feel disposed to study the important topics of which it will treat. The deduction to those who take five or ten copies is intended to facilitate collections, and to afford to those who may be kind enough to collect subscribers and forward remittances, an opportunity, if so disposed, to compensate themselves for their trouble.

At the low price fixed upon, a considerable number of subscribers will be necessary to defray the cost of printing and paper, and as no merely local patronage would be sufficient to support a Journal of this kind, it is hoped that those friendly to the undertaking in different parts of the country will send in their names as soon as possible. I am, Very Respectfully,

Your Obedient Servant,

WM. M. GOUGE.

P. S. Postmasters have a right to frank letters written by themselves, containing subscriptions for periodicals and remittances in payment for the same.

☞ Our regular days of publication, will be the *alternate* Wednesdays of each month. We choose the middle of the week because the mail is then least likely to be overloaded with periodicals, and distant subscribers will be able to count with

more confidence on receiving their numbers with punctuality.

At the suggestion of several friends, we have been induced to issue some copies of the first number in anticipation of the regular day of publication, in order to give to those who may wish to subscribe, some more definite idea of the general plan and appearance of the work, than can be conveyed by a mere prospectus.

Such arrangements have been made as to insure the publication of the work for one year, whether we lose or gain by it.

THE TIMES.

In several respects, the present times more nearly resemble those of 1819, and the years immediately succeeding, than any other period in our country's history.

Then, as now, the Banks, after having been enormously inflated, suddenly collapsed, and spread ruin and destruction every where around them.

Then, as now, enterprise was chilled, because men knew not what a day would bring forth.

Then, as now, the country was burdened with a heavy public debt. The case is not materially altered by the fact that the debt pressed then immediately on the Federal Government, and that it now presses on the States.

Then, individuals owed millions on millions more than they could pay.

Then, capitalists could with difficulty find safe and profitable investments, and labourers were consequently left without employment.

Then, wages and the prices of land, and of commodities generally, fell greatly.

Then, as now, the troubles of the times were occasioned in part by extensive speculations in the public lands.

Then, a strong party were calling aloud for relief measures.

Then, owing to the derangement of many of the operations of industry, vice increased and crime abounded.

In these particulars the present times bear a close resemblance to the times of 1819, and some subsequent years. In other respects they differ.

The Bank revulsion is now more extensive. Through the period above alluded to, the great body of the Banks in the Atlantic States, at least those north of North Carolina, and, we believe, those of Mississippi and Louisiana, maintained specie payments. Now, all the Banks to the south and west of New York, with the exception of certain Banks in East Jersey, the Bank of the State of Missouri, and perhaps the Banks of Charleston, S. C. are in a state of suspension. The Banks of Ohio *profess* to pay specie; but, from the best accounts we can gather, their practice but ill accords with their profession.

Then, the public debt was a burden on the Federal Government: now, it is a burden on the States.

The States were not then, as they are now, involved in extensive, and, in most cases, injudicious schemes of public improvement.

Then there was a Bank of the United States, with a capital of thirty-five millions, in full operation. Now, we are without that blessing or that evil, just which the reader may be pleased to consider it.

The public distress is the same in kind that it was from 1818-19 to 1823-24, but differs from it in degree. The reader who has not turned his attention to the past, will be surprised to learn that the sufferings of the present day are much less than those that were aforetime experienced.

Our large cities were not half as populous then as they are now, yet, according to Niles' Register, at one season in 1819, there were 10,000 able bodied men in New York daily seeking for employment, or, adding the women, 20,000 persons who desired something to do; in Philadelphia 20,000 persons were in like condition; and, in Baltimore, 10,000 were in unsteady employment, or actually suffering because they could not get employment.

Neither is the fall of prices as great now as it was then. According to the testimony of a Director in the United States Bank, houses in Philadelphia which used to rent for 1200 dollars a year, brought in 1820 no more than 450 dollars; fuel which used to cost 12 dollars fell to 5½ dollars; flour fell from 11 dollars to 4 dollars a barrel; beef, from 25 cents to 8 cents a pound. [See Niles' Register, vol. xviii, page 387.]

Lands in nineteen counties of Pennsylvania, which, about the year 1815, brought, on an average, from 93 to 122 dollars an acre, would in 1819 bring no more than from 29 to 42 dollars. This, we assert on the authority of a Committee of the Senate of Pennsylvania, of which Mr. Raguet was Chairman.

In September, 1820, corn was sold in some parts of Kentucky at 10 cents, and wheat at 20 cents a bushel. In May, of the following year, corn was as low at Cincinnati, and wheat in some parts of Ohio was 10 cents a bushel.

A Pittsburg paper, in the spring of 1821, re-

ferring to prices at that place, says,—"Flour a barrel, $1.00; whiskey 15 cents a gallon; good merchantable pine boards, 20 cents a hundred feet; sheep and calves, $1.00 a head. Foreign goods at the old prices. One bushel and a-half of wheat will buy a pound of coffee; a barrel of flour will buy a pound of tea; twelve and a-half barrels will buy one yard of superfine broad cloth."

The troubles of those days, like those of the present times, had their origin in a Banking System, resting on principles fundamentally erroneous. It is folly to attribute them to this or that measure of this or that administration. Even supposing this or that measure to be very objectionable, the most it has done has been to give to existing evils their present form and feature. If this or that measure had not been adopted, the evil would have shown itself in some other form, if not now, at some not distant day. A corrupt fountain cannot send forth sweet waters.

Equally fallacious is that course of reasoning which ascribes our present sufferings to mere mismanagement on the part of the officers of Banks. As human nature is at present constituted, and as Banks are at present constituted, mismanagement of their affairs is inevitable. Is it rational to suppose such institutions can be well conducted, when there is entire freedom from personal responsibility on the part of both officers and stockholders? The fault is less in the men than in the system.

In some respects the times are better than they were from 1818-19 to 1823-24, and in others they are worse.

The public debt is twice as great as it was then, but the wealth of the community has increased in more than equal proportion. The burden of the debt then, however, fell on the Federal Government, which had more facilities for collecting a revenue to pay the interest than are possessed by the State Governments.

The States were not then, as they are now, involved in schemes of internal improvement, calling for the incurring of new debts at a time when they cannot pay the interest on the old.

The credit of the State Governments was then good, because they had used it sparingly, and they had it in their power to apply it to the relief, or the *apparent* relief, of the debtor class, by establishing "Commonwealth Banks," and by other contrivances. Now the credit of some of the State Governments is so low, that they find it difficult to pay the wages of their own officers.

Great part of the distress that existed then, was occasioned, as it is now, by extensive purchases of wild land. But then, such of those lands as were bought from the Federal Government, were bought on credit, and Government relieved this class of speculators by taking back the land, and thus freeing them from obligations to the amount of millions. Of late years the public lands have been sold for cash, and as this cash has been "deposited with the States," the Government has it not in its power to relieve this numerous class of speculators, by receiving back the land, and giving them back the money.

In all these respects the condition of the country is worse than it was at the former great bank revulsion: and it is also worse in that we have more broken banks to clear out of the way. The whole extent of the evils we are to endure, is not yet known.

It is worse also in regard to our foreign relations. At that time, the prospect was pacific. Now, there are some specks in the horizon betokening war. The difficulties on the Canadian frontier it may not be very hard to adjust, but the Maine boundary line is a very delicate question. Border disputes are a more frequent cause of war than even the ambition of kings.

The country is in a better condition than it was in 1818-19, inasmuch as its resources are more fully devolved.

The "recuperative powers" of the people, to use the phraseology of one who was once a great favorite in the money circles, are so great that, if left to themselves, they would soon restore prosperity. But we are threatened with a course of *most pestiferous* legislation on the part of both Congress and the State Legislatures. All our woes are artificial, and they are to be artificially increased by the adoption of measures which are to be brought forward as means of relief.

Under such circumstances as these, do we commence our JOURNAL OF BANKING. We propose to give in it a new edition of "A SHORT HISTORY OF PAPER MONEY AND BANKING IN THE UNITED STATES." The only edition of this work at present on sale, is in very small type. An edition in larger type has been called for by many. After due reflection, we have been brought to believe this is the most eligible way of bringing forth the new edition.

Another reason why we introduce this History, and the Inquiry thereunto prefixed, into our Journal, is, that as it was written before the excitement arose, it may command the unprejudiced attention of some, who would be very chary of

receiving any thing written at the present day. Times have indeed changed since that History and Inquiry were first published, but principles remain the same; and we know not that we could, if we were to try, give a better exposition, for popular use, of the principles of our banking system, than is contained in that volume.

This history we propose to bring down to the present time. The experience of the last eight years was not wanted by those who were acquainted with *principles*, to convince them of the true nature of paper money banking. We know not that any new principle of the system has been developed between 1832 and 1840; but some of its features have been magnified as under an oxy-hydrogen microscope, so that he must be blind who does not see its deformities. It is of great importance to give a continuation of the history.

To the history of the past we propose to add the history of the present, giving every two weeks a review of the times. In so doing we shall not deprive our Journal of unity of design. If certain daily papers are almost as interesting as a volume of Old Bailey Trials, or of the Newgate Calendar, it is paper money banking that makes them so. This it is that stamps the character of the age. We shall not, of course, be able to give the incidents of the day in much detail, but we shall give enough to let the reader catch the spirit of the times in which he lives. We may, for example, sometimes add up the murders and other atrocities recorded in some of the leading newspapers, and by comparing one number of our Journal with another, the reader may ascertain whether the times are growing better or growing worse.

Philadelphia being at present the centre of the rotten bank system, and New-York of the (relatively) sound, we propose to give the prices of the leading articles of produce, the rates of exchange, and the prices of bank notes in each city. These, while they will be useful for present business, will also be useful for future reference.

In essays on banking, currency, exchanges, and kindred topics, our correspondents and ourselves will be able to present the same subjects in different aspects, and thus adapt them to different minds. We shall also have opportunities of discussing various questions of public policy, which must necessarily arise, and which will deeply affect the well being of the community.

To these we shall add, as stated in our prospectus, such miscellaneous articles as will add interest to our pages and subserve our main design. Among these will be some statistical tables, embodying, in a small compass, a great number of facts. But we shall avoid encumbering our columns with such details as teach nothing. It is only general results that are interesting. Heavy documents we shall not insert at length, trusting our readers will be satisfied with the substance.

Such is our plan. We shall spare no exertion to carry it into execution in such manner as shall merit the approbation of those who may favor us with their support.

THE HISTORY OF BANKING.

In a new preface to this work, we have endeavoured to correct an erroneous impression which some appear to entertain, in regard to the time when, and the design with which it was written.

As evidence that the work was not at the time of its first appearance regarded as of a partizan character, we give the following extracts from Journals, conducted by gentlemen who were not supporters of the last two administrations.

"The work is from the pen of a gentleman who has devoted much time to the subject upon which he has now written, and who probably understands it more thoroughly than any other individual in the country—at least than any one who has given publicity to his views and knowledge in the matter in such a form. The book before us abounds in facts which could not have been collected but with earnest and industrious research.

The account of provincial and continental paper money, for example, must have required no light or careless thumbing of olden records. As a history of a medium and pursuit which always have and always will interest every community and every individual, the book in question deserves the attention and patronage of every member of society, who desires to be clearly enlightened on a favourite and paramount theme."—*Phil. Gaz., March*, 1833.

"This volume has claims upon the attention of all persons who feel any interest in the history of paper money and banking; or who seek light on the principles of the system, or take any pleasure in studying the effects of the system on morals and happiness. The work commends itself especially to banking institutions and persons engaged in commerce. Besides the history, which is, though condensed, very full, there are reflections on political economy and social and other relations, which cannot do else than assure to Mr. Gouge the commendations of an enlightened people."—*Phil. Com. Herald, March*, 1833.

"Mr. Gouge's book on banking and paper money is one which all should read."—*Moore's Phil. Prices Current, March*, 1833.

"Mr. Gouge is favourably known as the strong advocate for the destruction of small notes under five dollars, and for his unshrinking honesty of opinion on the subject of banking in general. In his present production he has entered upon an un-

trodden field, and given a history of various State banking institutions, as well as of the Bank of the United States, and presented in a small space a great quantity of facts, to which legislators and others should pay particular attention."—*Saturday Evening Post, Feb.* 1833.

"A popular treatise on banking has long been considered a desideratum in this country. A general understanding of the operation and influence of incorporating banking companies would not only have saved the country from much distress, but have prevented many disagreeable occurrences, the tendency of which has been to lower the standard of morality, and diminish the confidence which is essential to the prosperity of a commercial people. Until a knowledge of this subject is generally diffused, the people must continue exposed to the arts both of speculators in money transactions, and of intriguers and adventurers in politics.

"The volume before us is admirably adapted to convey this sort of knowledge in a plain and intelligible manner. We are not prepared, just now, to pronounce an opinion as to the views of the subject taken by Mr. Gouge; but we must do him the justice to say that he has collected and digested such a mass of information, and commented on it with so much intelligence that his work cannot fail to have a beneficial effect. It merits the notice of all who take sincere interest in the public welfare."—*Balt. Gaz., March,* 1833.

"The work is one of great research, manifesting a thorough acquaintance with all the prominent facts, historical and statistical, connected with this complex and important question from the earliest periods, and in all their connexions and varieties. As a book of reference in this particular, it is valuable, and must be generally acceptable. The information it conveys is not accessible from other sources, without great toil and difficulty, and is of an important character to the evident interests of the whole community.

"The principles maintained by the author, and upon which his facts and illustrations are brought to bear, are a distinct matter, and not likely to be admitted by the advocates of the present order of things. Mr. Gouge is an uncompromising opponent of banks, paper money, and corporations, as they now exist. His views are supported by a scientific investigation into the character and qualities of currency of all kinds, the nature of money, the history and real character of banks of deposit, of discount, of circulation; the nature of credit and its results; the effect of restrictions on bank charters; the essential qualities of bank notes; their 'convertibility' and 'elasticity;' and, in short, of all the commercial questions connected with the circulating medium. These points are discussed with care and precision, and, moreover, with a tone of complete conviction, which shows the author to be thoroughly in earnest in the momentous principles he is enforcing by his arguments."—*Baltimore American, March,* 1833.

"On our last page will be found an advertisement of this book, which we recommend as a very valuable addition to the library of every political economist and statesman. It is, in our estimation, decidedly the best book on banking that we have ever met with, and exposes in the most minute details, the mischiefs resulting from incorporating people to do what ought to be left to individuals to accomplish, upon their personal responsibility."—"*The Examiner and Journal of Political Economy,*" edited by Condy Raguet, Esq.—Phila., Oct. 30, 1833.

We shall add some notices from Democratic presses, supporters of the last two administrations.

The first is from the New York Evening Post, of Sept. 15, 1834, at that time edited by Wm. Legget, Esq.

"It is much to be desired that some enterprising publisher might make arrangements with Mr. Gouge, to publish an extensive addition of his excellent work in a form so cheap and convenient as to insure a large circulation. The subject which it treats of is one of immense importance: it is one on which men's minds are exceedingly vague and imperfect; and the work embodies more information and more sound reasoning, as to the history, nature, and operations of the paper money system in this country, than all the other works combined, which have ever been composed on the subject. It is written, moreover, with great clearness and perspicuity of style, with admirable arrangement of topics, and in a temper perfectly impartial and dispassionate. There is no declamation, no highly coloured statements, no rhetorical flourishes in its pages to mislead the reader's judgment, and enlist his prejudices against Banks.—Facts and sound arguments are wholly relied upon to accomplish the end in view, and they are so stated, that the book is not only one of the most useful, but one of the most interesting treatises we know of in any branch of economical science."

Mr. Legget afterwards gave further evidence of the estimation in which he held the work, by having it stereotyped at his own risk and expense.

"It is a work compiled with great diligence, and such perfect fairness that we do not recollect to have seen one of its statements disputed."—*N. Y. Ev. Post, July,* 1837.—*Wm. C. Bryant, editor.*

"This treatise possesses sterling merit; and it should constitute a part of the library of every statesman and political economist in the country. It is replete with many valuable and novel facts, and they are presented with a force and precision which must please every diversity of taste.

"Fault has been found with its classification and mode of arrangement: but it strikes us that these objections are in a great measure groundless. It is written with a tact far from common. The intimate connection between the various branches of the subject fully manifest this—it mirrors forth the picture in a clear and vivid manner."—*N. Y. New Era, Dec.,* 1839.

"It is written with perspicuity and elegance, and the facts have been collected with great care and much research. So impressed are we with its value and importance, that we doubt if any man can claim to be thoroughly conversant with, and master of the history of American Banking, without reading this work."—*Hartford Times, August,* 1837.

PENNSYLVANIA RELIEF LAW.

In this law the Banks of the Commonwealth are divided into two classes, those that pay a tax on their dividends, and those that pay no such tax: and some special enactments are made respecting the Bank of the United States.

Several sections of the act appear to have been inserted merely to facilitate the Bank of the United States in making an assignment of its effects. As the stockholders have resolved not to take advantage of these sections, it is unnecessary here to give them in detail. The other special provisions, in relation to the United States Bank, are, first, one which gives it all the benefits of the act, provided the stockholders will consent that it shall be subject to such general laws as may be hereafter enacted for the regulation of the banks of this Commonwealth. Secondly, one which exempts it from any participation in the issue of the new kind of *State Paper Money*, hereinafter to be described.

The Bank of the United States has, as was to be expected, hasted to avail itself of the privileges of an act which legalises its suspension of specie payments, and which exempts it from the payment of more than six per cent. interest on any of its dishonored obligations. In this respect it is put on the same footing, by the Relief Law, as the other banks. But it is not required, like them, to act as an agent in issuing the new kind of State Paper Money, though it may receive the same on deposit, and re-issue it at pleasure.

The other banks, as already observed, are divided into two classes, and they are required to issue two distinct kinds of State Paper Money.

The first and most numerous class are the banks paying a tax on their dividends. These are required to issue notes amounting, in the aggregate, to three million one hundred thousand dollars, $775,000 of which are to be in notes of the denomination of five dollars, and the residue, or $2,325,000, in notes of the denominations of one and two dollars. They are not to be issued in the name of the State, but in the name of the respective banks, each emitting a proportion graduated to its capital. The notes thus issued are to be passed to the credit of the State, and to be *called* a loan to the State, redeemable in five years, or sooner, at the pleasure of the Legislature.

As a compensation to the banks for the expense and trouble attendant on the issue of this State Paper Money, they are to receive one per cent. per annum on the amount.

The second class of banks includes, we believe, only the Bank of Pennsylvania, the Farmers and Mechanics, and the Mechanics, of Philadelphia. In consideration of their having paid bonuses for their charters, they are exempted from the payment of a tax on dividends. They are required to deposit, with the Auditor General, stocks of the State amounting to at least five per cent. on their capital paid in, and are authorised to issue notes to an equal amount, in denominations of *not less* than five dollars. The banks paying a tax on their dividends, are also allowed to issue such notes to an amount not exceeding seven per cent. on their capital paid in.

The notes which represent credits on the Auditor General's books, may, by way of distinction, be called State Credit Notes; and those which represent stocks deposited with that officer, may be called State Stock Notes. These do not, however, differ essentially. On the stocks deposited, the State is to pay no interest: and on the credits in the Auditor General's book, the banks are to receive no interest: the one per cent. (though *called* interest) being, as we conceive, merely sufficient to cover trouble and expenses of management.

These two kinds of State Paper Money also resemble each other in the mode provided for their redemption. There is no chance of redeeming either in less amounts than one hundred dollars: then they can be redeemed at the counter of the banks that issue them, but not in silver or gold, or the notes of even non-specie paying banks, or even in State Stocks, but in *orders* on the Auditor General for State Stocks.

This is a deplorable state of things. A bankrupt State *orders* the emission of upwards of three millions of State Paper Money, redeemable only in State Stocks, which were, at the time the act was passed, twenty per cent. below par; which have since fallen several per cent. more, and which may fall, no one knows how low. Nor is this all. It *authorises* this State Paper Money to be increased in amount to between five and six millions: and in order to obtain circulation for it, consents that the banks shall, if they will receive it in payment of debts, postpone the resumption of specie payments as long as shall suit their own convenience!

The State Credit Notes and the State Stock Notes will be exactly alike in character and appearance: but, viewing the subject in another light, the Legislature may be said to have ordered the issue of nearly as many kinds of State Paper Money as there are banks in the Commonwealth. Each bank (the Bank of the United States excepted) is to issue its proportion in its own name; each, if the notes are presented at its counter in sums of one hundred dollars and upwards, is to give an order to the holder for State Stock to that amount: each is to pay the interest on the Stock procured on its own order, in lieu of paying a tax on dividends: and, finally, each is compelled to receive such of these notes as may be issued by itself in payment of any debt due to itself, but not to receive the State notes issued by any other bank. We are thus to have fifty legal tenders in the payment of bank debts; but what will be a legal tender to the Bank of Pennsylvania, will not be a legal tender to the Philadelphia Bank, and so of all the others.

This is but the *beginning* of a new modification of the paper money system. Who can assure us that next year the Legislature will not order five millions more to be added to this new kind of circulating medium, and five millions more in the year succeeding, and so on till it runs the course of the French assignats, or of the old continental money.

INCIDENTS.

THOSE who suppose that a Journal of Banking must necessarily be filled with dry details of figures, and still drier disquisitions, will have only to read a few numbers of our periodical to be convinced of their error. It will abound in *incidents* of a most striking character. So much of our first number is necessarily taken up with prefatory matter, that we cannot here do justice to this part of our design. But the reader may form some judgment of what he may hereafter expect, from a rapid glance at events of recent occurrence.

We begin with our native city, Philadelphia. Here there have been, within a few weeks, sundry meetings respecting the affairs of a bank, which once had a capital of thirty-five millions. The meetings have been very exciting, and there has been, besides, a very spirited controversy in the newspapers. The stockholders ask what has become of the capital. It is agreed, on all hands, that great part of it is sunk, and some think it is all gone. A committee lay the fault on a former President. The President says, that if he has done wrong, some of the members of the committee are as much to blame as he is. Among other things, it is alleged that about a million of money has been expended, and no satisfactory account rendered thereof. As these events are of anterior occurrence to the establishment of our periodical, the particulars belong rather to the continuation of the History of Banking, than to the Journal. We only allude to them here, to show what the reader may expect if any thing of the like kind should occur again. They have formed the chief topic of interest for some time, in some of the daily and weekly newspapers, and they would lose none of their interest by being stripped of all extraneous matters, and served up in their pure essence in a semi-monthly.

Closely following on this, we have a notice that Dr. Dyott, the great free banker, who had been convicted of fraudulent insolvency, has been pardoned by the Governor. No reason is given, but one of the newspapers, perhaps maliciously, observes, that the Governor thought it unfair to keep the Doctor any longer in close confinement, while so many others, not less culpable than he, are in the enjoyment of liberty.

Stepping into the Tabernacle, where the (old school) General Assembly of the Presbyterian Church are in session, we find that reverend body appointing a committee to inquire how much of their funds as have been invested *in stocks* are still available.

Passing over into New Jersey, we hear, at New Brunswick, of the execution of Peter Robinson, for the murder of a bank president. Debt urged Robinson to the commission of this awful crime, and it appears, from his own statement, that if he had only known that it was possible to *renew a note*, he would in all probability have not imbrued his hands in the blood of a fellow being.

Arriving at New York, we learn that a very distinguished man has just reached there from Montreal. It is no less a personage than the Hon. C. F. Mitchell, ex-member of Congress for the Niagara district. He had committed some very ingenious acts of forgery, by which the banks suffered. His hiding place in Canada was discovered. He very romantically jumped out of a garret window to escape from his pursuers, and still more romantically jumped into the St. Lawrence; and, what is still more romantic, if true, he cast his last twenty-seven hundred dollars into the stream. And these are but part of the adventures of the Honorable ex-member.

Going from New-York into Connecticut, "the land of steady habits," we are struck dumb by the intelligence that an officer of a rail-road company has just run off with forty thousand dollars of its funds in his pockets.

Passing on rapidly into the State of Maine, we hear that the President of the Frankfort Bank has been arrested on a charge of swindling. We beg to know the particulars, and are told, in brief, that he took the funds of the bank, purchased stock of various persons at fifty per cent., sold it at par, kept the profits, and paid the bank in wild land that was worthless, but which he charged at two dollars and a half an acre.

Disgusted with the east, we resolve to try the west. We travel as fast as locomotive and steam-boat can carry us, and land at Cleveland, Ohio. Thence we proceed to Columbus, the capital of the State. Here we learn that two banks have agreed to lend the State one million and sixty-nine thousand dollars, and to secure themselves against all loss, have State stocks pledged to them exceeding a million and a quarter in value. Our informant adds, that *the day after the contract is completed, both the banks stop specie payments!*

Thinking we have learned enough of the way the system works in Ohio, we do not deem it worth while to tarry long there, but embark on the first opportunity, at Cincinnati, for New-Orleans. At Louisville, at Vicksburg, and at every other landing place, rumors reach us of some fraud or default, growing out of our factitious credit and paper money system. We cannot stop to gather the particulars, but hasten on to our point of destination. Here we learn that two individuals, having got some genuine drafts from one of the Banks of New-Orleans, alter them in such a way as to perpetrate extensive frauds on we know not how many banks in different parts of the country. This at once explains and verifies the rumors we heard on our passage down the Ohio and the Missisippi. We inquire if there is any thing else new in the banking world, and are told that a man of small means has purchased the Merchants' Bank, having a chartered capital of one million dollars. Well, this may be "a fair business transaction," but it shows the nature of the credit system. Any thing more? Nothing but some defaults to the amount of one or two hundred thousand dollars, on the part of certain clerks, in two of the banks. As this is an every day occurrence, it does not engage our attention long, and we presume that they have, of course, escaped to Texas or to Paris.

We step into the Reading Room at the Exchange, to look at the Philadelphia Papers, and unexpectedly find ourselves in the midst of "*a row*." An effort is making to expel Mr. Samuel Wright from the room, because he is suspected of having given to the Vicksburg Sentinel some

intelligence unfavorable to speculators. In the confusion the gas lights are extinguished, and we make our escape.

We embark for Mobile. Here we learn that one of the most worthy citizens of the place has just hanged himself on account of his pecuniary embarrassments, and that the Legislature of Alabama has given the banks of that State the privilege of postponing indefinitely the resumption of specie payments. This is enough for us. We proceed as rapidly as we can into Georgia. We want to become better acquainted with "the noble, generous South." But we have hardly entered the State, before we hear of a default, to the amount of sixty thousand dollars, on the part of the officers of one of the banks. Why, this is as bad as what befel us on our entrance into "the land of steady habits."

> "Our ear is pained, our soul is sick
> With every day's report of wrong and outrage."

We resolve to hear no more; and, jumping into the railroad cars, travel night and day till we reach Philadelphia.

So many incidents, and so various in their character, all occurring within a few weeks, and all connected, either directly or indirectly, with our factitious credit and paper money system! A Journal of Banking dry and uninteresting! Why, the adventures of Rinaldo Rinaldini could hardly be more spirit stirring.

"PRETTY AND SMOOTH READING."

"Ah," some may exclaim, "your incidents may be striking enough, but no periodical succeeds now-a-days, unless it contains something in the manner of tales."

Well, then, there is the story of "The Little Frenchman and his Bank Notes;" the story of the "Irish Banker at the Lakes of Killarney." And, to say nothing of others, the "Auto-biography of Ferret Snap Newcraft, Esq." We know Ferret well. Then there are the "Extracts from the Diary of a certain Bank Director." Inquiries have been made of Deacon Graball if he will not furnish us with some additional extracts for our Journal. His reply is rather equivocal: but he hints that if his pastor, the Rev. Dr. McThwackem, will consent, he will take the matter into consideration. From the known kindness of that reverend gentleman, we have the best reasons for hoping that he will speak a good word for us to his parishioner.

It is possible to tell the truth in such a way as to make it as pleasant reading as fiction. It is by seizing hold on some *principle*, and then developing it, according to the order of nature, to its ultimate consequences. This is what has been done in the "Irish Banker," and other pieces of that character.

"But poetry! Without poetry, it is impossible to please the ladies. No work can succeed that has not their approbation. And you *cannot* give us poetry!"

We are not so certain of that. The multiplication table has been set to music. What hinders the rendering of the principles of banking in rhyme? We cannot boast that the "gods have made us poetical:" but we know of some hard money men who write very pretty verses. If it should become necessary, we shall invoke them to invoke the Muses in behalf of our Journal, or rather of our cause. Thomas Moore's "Odes on Cash, Corn and Catholics," show that the Muses, when invoked in such a cause, are not always invoked in vain.

One thing is very certain. If we do not pass

> "From grave to gay, from lively to severe,"

the fault will be in us and in our correspondents. It will not be in our subject.

The learned Dean Prideaux, author of "The Connections of Sacred and Profane History," used to say that "it was a doubt with him whether the benefit the world receives from government, is sufficient to make amends for the calamities it suffers from the follies, mistakes, and mal-administration of those who manage it." What would the Dean have said, if he had been acquainted with the history of modern banking?

☞ The intelligent reader will not look for a full developement of the plan of our Journal in a single number. Issuing a number of copies in advance of the regular day of publication, if we should give the prices of bank notes and specie, the rates of exchange, foreign and domestic, and the prices of produce, according to the latest quotations, they would not correspond with the date on our first page, at which time the balance of the edition of this number will be issued. We will briefly remark that our design is to occupy one page in each number with tabular views of these subjects, and explanatory comments. The rest of the Journal we purpose to devote to the recording of facts, and the elucidation of principles; but we will modify our plan as circumstances shall show to be expedient.

☞ Some copies of this number will be sent *by mail* to postmasters and other gentlemen in distant places. To such as may subscribe, a *duplicate* of this number will be forwarded on receipt of the subscription money: so that they can, if so disposed, use the copy now sent as a means of diffusing a knowledge of our plan. Subscribers in the city who may wish a duplicate of this number, to send or show to friends, can also be supplied, on application at No. 302 Race street, or at the printing office of Mr. Van Court, Quarry street, running from Second street to Third, below Race.

We have appointed no agents; but any Postmaster, or other person, may constitute himself agent *for others*, and on our receipt of the subscription money, we will forward the number of copies he may order, according to his directions, agreeably to the terms set forth in the prospectus.

Or, any five or ten persons may "club together,' and by appointing one of their number agent, divide among themselves the discount for taking a given number of copies.

If we should hereafter appoint any travelling or other agents, they will be duly authorised under our hand to receive subscriptions, and if appointed before our second number appears, notification will be given thereof by advertisement in the Philadelphia Ledger.

A SHORT HISTORY

OF

PAPER MONEY AND BANKING IN THE UNITED STATES:

INCLUDING AN ACCOUNT OF PROVINCIAL AND CONTINENTAL PAPER MONEY.

To which is prefixed an INQUIRY *into the Principles of the System, with considerations of its effects on Morals and Happiness. The whole intended as A Plain Exposition of the way in which Paper Money and Money Corporations affect the interests of different portions of the community. By* WILLIAM M. GOUGE.—*A New Edition.*

PREFACE.

FROM certain remarks which have been made on the floor of Congress, the idea appears to be entertained by some that this "Short History of Paper Money and Banking," and the "Inquiry" thereunto prefixed, were written while the author was in the employ of Government, and perhaps to meet some exigency which arose in the administration of Gen. Jackson, or that of Mr. Van Buren. No supposition can be more erroneous. The work was written in the years 1831 and 1832, while the writer was a private citizen of Philadelphia, and the first edition was issued from the press in February 1833, nearly two years before he was in any way connected with the public service. It was not written to subserve the views of any statesman or any political party, but simply, as set forth in the title page, to give "a plain exposition of the manner in which paper money and money corporations affect the interests of different portions of the community." He who reads the work under any other supposition, will not do justice either to himself or to the author.

At that time the bank question had not become a party question. It is so but imperfectly even now. But it then attracted comparatively little attention, and of the few who did think seriously about it, and who agreed with the writer in opinion, as many perhaps were to be found in one party as in the other.

The only other objection which has been made to the work, and which it is deemed necessary here to take notice of, is, "its want of method." This objection was never heard in America, till it had been made in Europe. It is not at all surprising that a European critic should raise such an objection, for he can know but little of the difficulty of writing the history of a banking system, not having one centre, as in his own country, but having nearly as many centres as there are States and Territories in the Union. The few Americans (they are not many) that have repeated this objection, have not, it is presumed, duly reflected on the embarrassments attendant on a first attempt to reduce to something like order the multitude of facts which then existed in chaos-like confusion.

As this objection has, however, been made, it is proper to give some statement of the plan of the work, and of the circumstances under which it was written.

The writer started with the design of making a *small* book—a *very* small book; if possible, one of only one-fourth of the size of that which was ultimately produced. Still he wished it to be full enough to carry conviction to all whose minds were open to receive the truth.

His hope was to accomplish this by a simple analysis of the banking system. In the first draft of the work, the historical sketch filled only part of a chapter. As he proceeded he found that further historical illustrations were necessary, and the work gradually swelled to its present size and form.

In the first part, which contains the analysis of the system, he made it a rule, wherever it was possible, to illustrate each general principle by some particular fact. There is no other way in which to make general principles cognizable by many minds. The facts thus introduced in the first part, he considered it unnecessary to repeat in the second part, or history proper, unless where it was required to show the connection of events.

In a work of this kind, the order of cause and effect is of far more importance than the order of time. The order of cause and effect was what the writer endeavoured to observe; yet, without departing from his plan, he was able to give events in the order of time for a period of more than two hundred years, or from the date of the first settlements in Virginia down to the year 1820. At this period, the banking system being broken into fragments, he could do no better than sketch the history of these fragments as they were found in the principal divisions of the Union. The main object in view was not thereby in the least impaired, as an opportunity was afforded of mentioning some facts which were strikingly illustrative of the system, but which would, if introduced in previous chapters, have broken the thread of the narrative. For such episodes as these, precedents are to be found in the pages of the most eminent historians. Without occasional resort to them, much that is necessary for the proper understanding of the effects of any system of polity, must necessarily be omitted.

After this it was possible to resume the order of time in the conduct of the narrative, and the history was regularly brought down to the year 1832. Still there remained some facts with which it was desirable the reader should be made acquainted, and as these could not be introduced previously without breaking some important links in the great chain of causes and effects, they were thrown into the chapter headed "Extent of Bank-

ing Operations at different periods," and into others with different titles.

Soon after the Westminster Review brought the objection of "want of method" against the work, a new edition of it was called for. The writer then carefully considered if he could, by re-casting it, make it better serve the object in view, that is, more effectually show "the manner in which paper money and money corporations affect the interests of different portions of the community." He found it would be very easy to make changes, but he could not satisfy himself that those changes would be improvements. He therefore suffered the book to remain in its original form.

Some other particulars in the plan of the work require notice. Some minds are governed solely by the authority of great names. The most lucid analysis, illustrated by the most striking facts, will not satisfy them. Knowing this to be the case, whenever he could find that any man of eminence in any party had expressed sentiments similar to those entertained by himself, the writer gave the words of such man in preference to his own.—Hence the multitude of quotations in which the book abounds. This array of authorities was of more importance eight years ago than it is at present: but even now it would not be judicious to dispense with it.

Aware of the delicate nature of the ground on which he was treading, the writer made it a rule, always, when practicable, to give important events in the words of eye-witnesses, and to make his quotations with so much exactness as to leave even grammatical blunders uncorrected. The labour of weaving together a multitude of passages from writers of unequal talents, so as to make a readable book of the whole, was very wearisome. It would have been far easier for him to have written down the facts in his own language as he had them then in his own mind, and perhaps he could have given them in more graphic form. The advantage of unity of style would at least have been secured. But the plan he adopted has not given him cause for regret. Though the work has now been eight years before the public, and many thousand copies have been circulated in different ways, he knows of but a single attempt to invalidate any of his historical statements, and that attempt was of such a character as to be deemed unworthy of attention.

The work has perhaps been more extensively circulated in America than any other politico-economical production; and has attracted some attention in Europe. The noted Wm. Cobbet, published, in England, a mutilated, and, in some other respects, incorrect edition of the second part, under the title of "The Curse of Paper Money." He prefixed to it a preface singularly illustrative of his own character, commending the book, and abusing the author, of whom he knew nothing.—At Brussels, a very excellent abridgement of the work has appeared in the French language, in "*La Revue Universelle.*"

The writer had little expectation of his work meeting with such a reception. He could find no bookseller in Philadelphia who would publish it, though he was willing to give to any one who would undertake it, all the profits of the first edition. He was compelled to print it at his own risk, and be, in a manner, his own publisher. He had bestowed months of labor on it, had taken great care in making his analysis of the system, in preparing the history, and in arranging his authorities, yet such was the state of public opinion at that time, that, after making a conditional bargain with a printer, he walked with the manuscript in his hands around a whole square, debating in his own mind whether he ought not indefinitely to postpone the publication. He has never regretted having come to the resolution to publish, but he has regretted the omission of several chapters of the original, especially one showing the connection between paper money banking and public debt. The work having been stereotyped, it is desirable that there should be no unnecessary diversities in the different editions; and therefore these chapters will not be restored to their original place. Room will, however, be found for them in "The Journal of Banking."

What was in previous editions called "a preface," will, in this, with more propriety, be called "an introduction." If it should be found necessary to make any other changes of any moment, the reader will be duly advertised thereof.

Philadelphia, May, 1841.

INTRODUCTION.

Before entering upon the main subject of the proposed inquiry, it will be proper to give a short account of the changes of opinion that have taken place in Great Britain, in the last sixty years, in relation to Paper Money and Banking.

Mr. Joplin, in his History of the Currency Question, after collating different passages in the treatise on "The Wealth of Nations," gives the following as a summary of the views of Adam Smith.

"1. That he would prefer the circulation between consumers, or what may be termed the *consumptive* circulation, to be metallic: but that he thought it a great advantage for the circulation between dealer and dealer, to be paper; admitting at the same time,

"2. That if Bankers were subjected to the obligation of an immediate and unconditional payment of their notes in coin on demand, as soon as presented, their trade might, with safety to the public, be rendered in all other respects perfectly free.

"3. That the amount of notes which the country required was an amount equal to the sum of metallic money which would circulate if there were no paper.

"4. That this amount could not be ex-

ceeded without producing an immediate demand for gold to be sent abroad previous to its passing into general circulation: by which, of course, no derangement of prices, from excess of issues, could at any time be produced: the evils of over-issues being confined to the Banks upon which the demand for gold would arise.

"5. That besides this, if the Banks confined their loans to real bills of exchange and real transactions, they would not be liable to any excess of issues whatever."

"With these views of the working of our paper system, nothing," says Mr. Joplin, "could be more reasonable than his (Smith's) conclusions as to its value. It was evidently one from which much good might be derived, and no harm."

What Adam Smith had immediately in view, was the Scotch system of banking, which is carried on by *unincorporated* companies, each of the members of which is responsible, in his whole personal and real estate, for the whole amount of debts due by the company: and the English country system, which is carried on by private copartnerships, the members of which enjoy no special privileges or exemptions. Such a system of banking as exists in this country, he never would have supported. To a small note circulation he was a decided enemy. His judgment was, that country banks should issue no notes of a less denomination than five pounds sterling, or twenty-four dollars Federal money: and that city banks should issue no notes of a less denomination than ten pounds sterling, or forty-eight dollars Federal money. The whole tenor of his book is in decided opposition to the practice of conferring pecuniary privileges on any men, or any bodies of men, and is, consequently, in decided opposition to a fundamental principle of the American Banking System.

The principles of Smith were generally received till the year 1797, when the Bank of England suspended specie payments. Permission was then given to it to issue notes of as low a denomination as one pound sterling, and the like favor was granted to the country bankers. The country banks were required to make payment in notes of the Bank of England: but the Bank of England itself was placed under no restraint. Every thing was left to the discretion of the Directors.

This state of things necessarily drew the attention of political economists to the subject; and, as Bank of England paper did not, for some years, undergo any sensible depreciation, guineas began to be regarded as an unnecessary incumbrance. So strong a hold did this notion take in the minds of men, that even when bank notes passed in the market at a considerable discount, many writers affirmed that paper had not fallen, but that gold had risen in value.

Mr. Boyd, Lord King, and other economists, showed the incorrectness of this opinion, and Mr. Ricardo placed its erroneousness in a strong point of view, in a pamphlet published in the latter part of the year 1809, entitled, "The high price of bullion, a proof of the depreciation of Bank notes." This work, Mr. Joplin avers, "was the immediate cause, and formed the groundwork of the Report of the Bullion Committee."

"The principles of this Committee, supported by a host of writers, became now," says the historian, "the received opinions upon the subject, and they were as follows:

"They entirely agreed with Smith in the general principle, that if Banks were obliged to pay their notes in specie on demand, the trade might, in all other respects, be left perfectly free. They agreed with him, that the sum of paper in circulation ought not to exceed the sum of metallic money that would be in circulation if there were no paper: and they further agreed with him, that, if this amount of paper was not exceeded, no great demand for gold for exportation would ever arise: and that, if it were exceeded, a demand would arise for exportation, adequate to the excess. But in every other respect they differed from him, and laid down principles equally new and important.

"In the first place, they repudiated the principle that Banks could not issue to excess if they confined themselves to advancing money on real bills of exchange. This principle they proved totally incorrect.

"In the next, they denied that an excess of issues would be discovered by the merchant *previously* to the money's entering into consumptive circulation, and be returned upon the banks for gold: though they admitted that an excess of issues would produce a demand upon the banks for gold for exportation. But this, they proved, would take place *after* the paper had been introduced into circulation, and had depreciated the value both of itself and of the gold in which it was payable: that gold, by this operation, becoming less valuable in England than in other countries, would be exported to other countries; that the excess of paper would be returned upon the banks in demand for it, to be sent abroad until the excess was withdrawn; and that the value of both paper and gold would *then* rise to its previous level, and the exportation of gold cease. This doctrine negatived the idea

of Smith, that an excess of issues did not find its way into consumptive circulation. It was contended, on the contrary, that prices must be raised above their proper level, before the exportation of gold could be brought about.

"Thus two important principles of Smith's which would be very much calculated to affect his views as to the value of a paper currency, were set aside: first, that the banks had an easy rule by which to guard against excess; and next, that if they did issue to excess, no derangement of prices would be produced by it: that the injury would be felt by themselves, and not by the public.

"To this derangement of prices, however, which according to their views must precede an exportation of gold, the Committee did not appear to attach much importance.

"In the third place, they contended, that the issues of the Bank of England regulated those of the country banks. This theory was new, though appearing to be suggested and borne out by experience."

When Mr. Joplin says that the principles of the Bullion Committee became the received opinions, we are to understand thereby that they became the opinions of a large part of the British nation. The anti-bullionists were so much attached to their favorite theory, that they could not be separated from it by either facts or reasoning. Such was the influence of these theorists, and such was the force of circumstances, that, though it had been determined that specie payments should be resumed in one year after the close of the war, the government delayed, for four or five years, to take the necessary measures for effecting this object.

In May, 1821, the Bank of England regularly resumed the payment of gold on demand.

In the twenty-four years previous, in which inconvertible paper had been the circulating medium, many hundred millions had been added to the national debt, and the amount of private debts had been swelled immensely. The paying in specie of the interest of a national debt contracted in paper, and the discharging of private contracts in a currency of enhanced value, necessarily produced much embarrassment. No sooner, however, had the difficulties attendant on the resumption of specie payments been surmounted, than the Bank of England began to extend its issues. In 1824, it reduced the rate of discount from 5 to 4 per cent., and as the country banks at the same time increased their circulation, such an *appearance* of prosperity was produced, as was unexampled in the annals of the kingdom.

This lasted till September 1825. Difficulties then began, and continued to increase till the latter part of December, when there was a convulsion which threatened all interests with destruction.

"Such a panic," says Mr. Joplin, "occurring in a period of profound peace, after a good harvest, and traceable to no other cause but defects in our system of Banking and Currency, rendered it, of course, incumbent on the ministers to bring forward measures to remedy, if possible, the evils which had been produced, and also to prevent the recurrence of such disasters in future."

One of the principal measures they recommended was, the abolition of one and two pound notes; and, on this occasion, they, according to the British author just quoted, "adopted a mode of speaking of our currency different to any that had hitherto been adopted. When the withdrawal of the small notes was enacted in 1819, all the arguments were in favor of paper payable in gold. The Bullion Committee, whose views had been implicitly adopted, observed, that they fully agreed with Dr. Adam Smith, and all the most able writers and statesmen of this country, in considering a paper circulation constantly convertible into specie as one of the greatest practicable improvements which can be made in the political and domestic economy of any State, and that such convertibility was a complete check against over-issue.

"Nor had this doctrine ever been impugned by those who differed from the Bullion Committee in other respects. They, on the contrary, always contended, that paying in cash would not merely prevent over-issues, but would prevent enough being issued. It was too great a check upon issues. But in explaining the principles thus laid down in the letter to the Bank, the ministers now, for the first time, gave up this doctrine."

Mr. Charles Grant stated, that "the great problem with respect to currency, is to discover that check whereby the evil we wish to avoid may be arrested before it takes place. The principle should be preventive rather than corrective. His honorable friend opposite (Mr. Smith) seemed to think, that the convertibility of paper into gold would operate as a sufficient check to arrest its progress; and in this opinion he was certainly supported by high authorities, amongst whom were some of the wisest men that composed the Bullion Committee. They all agreed upon the necessity of the convertibility of paper into gold, in order to establish a sound currency. The science of currency (for it deserved the name of a science) was every day acquiring additional light; in fact, it was now in a state

of experiment. It appeared to him that those who supported the Bullion Report were led to rely too exclusively on this check, not merely to correct the evil when it does take place, but to operate as a preventive, by which to guard against the extension of it beyond a certain point. There was no doubt of the check; but it may be so tardy in its progress as to produce the evil itself; because it is a check that operates not by necessity, but by the discretion and judgment of those by whom the paper is circulated.

"It was clear from what had occurred, that the check provided by the convertibility of notes into gold, operated so tardily, as to be inadequate to avert the evil, and it ought to be the leading principle in every sound currency, to provide the means of arresting the evil before it arrives at its height."

Lord Liverpool took a similar view of the subject, and the Chancellor of the Exchequer, for the first time, impugned the doctrine of the regulating power of the Bank of England. He observed, "that by an investigation into the different issues of different years, it would be found, that the issues of the Bank of England had no relative connection with the issues of the country banks, it happening in several instances, that, when the Bank of England issues had increased, the country note issues had diminished, and *vice versa*."

This was also maintained by Lord Liverpool, who joined with the Chancellor of the Exchequer and with Mr. Huskisson, in descanting on the merits of a metallic medium. Mr. Huskisson observed that, "It was the natural course, that, in such a fluctuating state of our currency, all classes of society must, in their turn, be afflicted by it; and therefore the sooner we got rid of that fluctuation, and returned to a sound, and healthy, and permanent circulating medium, the better for the community at large. If they wished to prove the value of a steady and unchangeable currency, they had it in the history of France; that country had been twice invaded by a foreign army, her capital had been twice taken possession of, and she was obliged to pay large sums to foreign countries; but they had a steady metallic currency, and however such visitations might have affected the great—however the extensive contractor might have been injured or ruined, the body of the population remained unoppressed. The storm might have crushed the forest tree, but it passed over without injuring the humble reed. This was to be attributed to the permanent footing upon which the currency of that country had been established."

In conformity with these views, an act was passed to prohibit, after the 5th day of April, 1829, the issue of all notes of a less denomination than five pounds sterling. In 1828, a vigorous effort was made to repeal the law, but it was strenuously and successfully resisted.

In a debate on the subject, on the 3d of July, 1828, the Duke of Wellington said, "The measure of 1826 was not founded on any theory, but on experience which the few last years had confirmed. That experience had proved the fallacy of a theory which stated that a paper currency was perfectly safe as long as it was convertible into gold and silver. Experience during the last three years had proved this theory not to be true. It had likewise proved another theory not true—the theory that one pound notes and sovereigns could circulate together."

In the same debate Lord King remarked, that "those persons who considered paper money as an excellent thing to be established in a country, he was disposed to view as heretics. He had no hesitation in saying that the superstition attached to paper money was idolatrous in the highest degree. He looked upon it as the most dangerous heresy of all heresies."

The opinions of such men as Mr. Huskisson, Mr. Grant, Lord King, Lord Liverpool, and the Duke of Wellington, are, on such a subject as this, entitled to the respectful attention of every candid American. In their country, paper money banking has been known longer than in ours. Every thing that *can* be said in favor of convertible paper, *has* been said in the various publications that have issued from the British press. These statesmen were familiar with all the arguments usually adduced in support of the system. Ample were their opportunities for observing its practical effects.

If, however, we are disposed to disregard the result of their experience, let us examine the system for ourselves.

If paper money banking requires only new restrictions to prevent its producing evil, the nature and number of those restrictions cannot be known, till we know all the evils it has produced.

If, as some seem to think, the system is to be perpetual, the effect it has on society, is a rational subject of inquiry. Such an inquiry, if faithfully made, will prevent us from ascribing to other causes such evils as have their origin in banking, and thereby prevent us from increasing those evils by applying improper remedies.

AN INQUIRY

INTO THE PRINCIPLES OF THE

AMERICAN BANKING SYSTEM.

CHAPTER I.

Importance of the Subject.

In an address to the stockholders of the United States Bank, at their meeting in 1828, Mr. N. Biddle, the President of that institution, stated that five hundred and forty-four Banks had been established in different parts of the country. He added that one hundred and forty-four of these Banks had been openly declared bankrupt, and that about fifty more had suspended business.

Mr. Gallatin, in his "Considerations on the Currency and Banking System," published in 1831, gives a list of three hundred and twenty-nine State Banks then in operation, having nominal capitals of the amount of 108,300,898 dollars. This sum, added to the capital of the United States Bank, made the whole nominal capital of these institutions upwards of 143,000,000 of dollars.

These Banks issue notes which serve as substitutes for coin.

They grant credits on their books, and transfer the amount of credit from one merchant to another.

They receive money on deposit.

They buy and sell bills of exchange.

They discount mercantile notes.

They buy and sell public stocks.

All these are important functions, and if only one of them be ill performed, the community must suffer inconvenience.

The Banks are scattered through nearly all the States and Territories which compose our Union; but they may all be embraced in one view, inasmuch as they all substitute paper for specie, and credit for cash, and are all endowed with privileges which individuals do not possess.

By their various operations, immediate and remote, they must affect, for good or for evil, every individual in the country. Banking is not a local, temporary, or occasional cause. It is general and permanent. Like the atmosphere, it presses everywhere. Its effects are felt alike in the palace and the hovel.

To the customs of trade which banking introduces, all are obliged to conform. A man may, indeed, neither borrow money from the Banks, nor deposit money in their vaults: but if he buys or sells it is with the medium which they furnish, and in all his contracts he must have reference to the standard of value which they establish. There is no legal disability to carry on commerce in the safe, old-fashioned way; but the customs of banking have introduced a practical disability. It is no longer possible for the merchant to buy and sell for ready money only, or for real money. He must give and take credit, and give and take paper money, or give up business.

Bank paper is not a legal tender in the discharge of private debts: but it has become, in point of fact, the only actual tender, and the sudden refusal of creditors to receive it would put it out of the power of debtors to comply with their engagements.

Credit, the great rival of cash, is completely controlled by the Banks, and distributed by them as suits their discretion.

These institutions may contribute little to the *production* of wealth, but they furnish the means to many for the *acquisition* of wealth. They appear to be the chief regulating cause of the present *distribution* of wealth, and as such are entitled to particular attention.

"In copying England," says Mr. Jefferson, "we do not seem to consider that like premises induce like consequences. The *Bank mania* is one of the most threatening of these imitations: it is raising up a moneyed aristocracy in our country which has already set the government at defiance, and although forced to yield a little on the first essay of their strength, their principles are unyielded and unyielding. They have taken deep root in the hearts of that class from which our legislators are drawn, and the sop to Cerberus, from fable, has become history. Their principles take hold of the good, their pelf of the bad, and thus, those whom the Constitution has placed as guards to its portals, are sophisticated or suborned from their duties. That paper money has some advantages must be admitted: but its abuses are also inveterate; and that it, by breaking up the measure of value, makes a lottery of all private property, cannot be denied. Shall we ever be able to put a constitutional veto upon it?"

These are forcible remarks. Those which follow, by another writer, place the subject

14

in a somewhat different, but not less striking point of view.

"In most disquisitions upon the noxious tendency of Banks, much stress has been laid upon the injuries they have a power to inflict, by excessive loans and consequent bankruptcy, and by creating and circulating a permanent excess of currency. Could these two evils be avoided, many believe that Banks would be innoxious. I regret to differ. I am not of those who imagine that Banks, incorporated with a liberal capital, will ever endanger their solvency by extending their loans; nor of those who believe that Banks, controlled by specie payment, can circulate a *permanent* excess of paper. And yet, I think I can perceive a portentous power that they exercise over commercial enterprise. I am of opinion that they can circulate a *temporary* excess of paper, which, from time to time, finds a corrective in a run upon the Banks for specie; that this temporary excess is succeeded by a temporary deficiency, one extreme invariably tending to another; that the consequences of this alternate excess and deficiency are, in the former case, to impart an undue excitement, and in the latter an undue depression to commercial enterprise; that the effect of the former is to create an unnatural facility in procuring money, and to enhance unnaturally the price of commodities; while that of the latter is to produce an artificial scarcity, and to cheapen prices artificially; that the victims of these vibrations are the great body of merchants, whose capital and average deposits cannot always command discounts; that the gainers are a few intelligent and shrewd capitalists, the magnitude of whose deposits commands enormous discounts at all times, and who, being behind the curtain, know when to buy and when to sell. I am of opinion that these vibrations inflict evils which close not with mercantile speculation; that they tend to unhinge and disorder the regular routine of commerce, and introduce at one moment a spirit of wild and daring speculation, and at another, a prostration of confidence, and stagnation of business: that these feelings are transferred from the counting-house to the fireside; that the visionary profits of one day stimulate extravagance, and the positive losses of another engender spleen, irritation, restlessness, a spirit of gambling, and domestic inquietude.

"I appeal to the commercial history of our country, during the last seven years, and to the aching hearts of many of my fellow citizens, for the truth of these reflections.

"I wish not to be misunderstood. Let no one suppose me so weak as to attribute every unfortunate speculation, and every fluctuation in prices, to an undue management or organization of our banking institutions. That would be a folly, from the imputation of which I trust the preceding remarks will rescue me. There are commercial fluctuations, and they are wholesome. They invigorate enterprise, and their benefits are directly felt by all. There are banking fluctuations, and they are highly deleterious. They intoxicate enterprise, only to enfeeble it; and the benefits are restricted to a few.

"This evil of banking fluctuation, ends not with the mercantile community. It extends to every thing that commercial enterprise reaches. It injures the farmer and the mechanic, in the precise ratio of the vacillations of public feeling.

"The injuries which it has inflicted have been as universal as the insinuation of bank paper; and the peculiar manner of its operation renders it doubly distressing. It does not affect the wealthy man, because he can always control discounts; but it falls with single and dreadful severity upon the industrious poor man, whose capital is not sufficient to command permanent accommodations; upon the inexperienced, who purchase knowledge by a sacrifice of property, and upon the merchant whose skill and sagacity are superiour to his wealth. . . . . Against a power so tremendous, what barrier has been erected? Against a power which, at different periods, has baffled the legislative wisdom of our revolutionary sages, of the governments of Europe, and of Great Britain: what check have we imposed? THE INTEREST ACCOUNT OF EACH BANK. As well might Canute have controlled the waves of the ocean with a breath."*

The view which was taken of the subject by a committee of the New-York Legislature, in 1818, is well deserving of attention.

"Of all aristocracies," they said, "none more completely enslave a people than that of money; and in the opinion of your committee, no system was ever better devised so perfectly to enslave a community, as that of the present mode of conducting banking establishments. Like the syren of the fable, they entice to destroy. They hold the purse-strings of society; and by monopolising the whole of the circulating medium of the country, they form a precarious standard, by which all property in the country, houses, lands, debts and credits, personal and real

* Letter to Mr. Gallatin, by Publicola, New-York, 1815

estate of all descriptions, are valued; thus rendering the whole community dependent on them; proscribing every man who dares to expose their unlawful practices: if he happens to be out of their reach, so as to require no favors from them, his friends are made the victims. So no one dares complain.

"The committee, on taking a general view of our State, and comparing those parts where banks have been for some time established, with those that have had none, are astonished at the alarming disparity. They see in the one case, the desolations they have made in societies that were before prosperous and happy; the ruin they have brought on an immense number of the most wealthy farmers, and they and their families suddenly hurled from wealth and independence into the abyss of ruin and despair.

"If the facts stated in the foregoing be true, and your committee have no doubt they are, together with others equally reprehensible and to be dreaded, such as that their influence too frequently, nay, often already begins to assume a species of dictation altogether alarming, and unless some judicious remedy is provided by legislative wisdom, we shall soon witness attempts to control all selections to offices in our counties, nay the elections to the very legislature. Senators and members of Assembly will be indebted to the banks for their seats in this capitol, and thus the wise end of our civil institutions will be prostrated in the dust of corporations of their own raising."

Not a few of those who have a personal interest in the continuance of the system, acknowledge and deplore the evils it produces. Indeed, we have found no men more sensible of those evils, than some of the officers of banks. They retain their offices on the same principle that they would, if they lived in England, retain offices under a government which they could not admire. To the established system of a country, whether political or commercial, men may deem it expedient, perhaps believe it necessary, to conform; but this need not prevent their discovering the necessity for reformation.

One of these gentlemen, Mr. John White, the Cashier of the United States Branch Bank at Baltimore, makes the following candid and correct statement, in a letter to a late Secretary of the Treasury, under date of February 15th, 1830:

"Looking back to the peace, a short period, fresh in the memory of every man, the wretched state of the currency for the two succeeding years, cannot be overlooked; the disasters of 1819, which seriously affected the circumstances, property, and industry of every district in the United States, will long be recollected. A sudden and pressing scarcity of money prevailed in the spring of 1822; numerous and very extensive failures took place at New-York, Savannah, Charleston, and New-Orleans, in 1825; there was a great convulsion among Banks and other moneyed institutions in the State of New-York in 1826; the scarcity of money among traders in that State, and eastward, in the winter of 1827 and 1828, was distressing and alarming; failures of banks in Rhode-Island and North Carolina, and amongst the manufacturers of New-England and this State, characterise the last year; and intelligence is just received of the refusal of some of the principal banks of Georgia to redeem their notes with specie—a lamentable and rapid succession of evil and untoward events, prejudicial to the progress of productive industry, and causing a baleful extension of embarrassment, insolvency, litigation, and dishonesty, alike subversive of social happiness and morals. Every intelligent mind must express regret and astonishment, at the recurrence of these disasters in tranquil times, and bountiful seasons, amongst an enlightened, industrious, and enterprising people, comparatively free from taxation, unrestrained in our pursuits, possessing abundance of fertile lands, and valuable minerals, with capital and capacity to improve, and an ardent disposition to avail ourselves of these great bounties.

"Calamities of an injurious and demoralising nature, occurring with singular frequency, amidst a profusion of the elements of wealth, are well calculated to inspire and enforce the conviction that there is something *radically* erroneous in our monetary system, were it not that the judgment hesitates to yield assent, when grave, enlightened, and patriotic Senators, have deliberately announced to the public, in a recent report, that our system of money is in the main excellent, and that in most of its great principles, no innovation can be made with advantage."

The "grave, enlightened, and patriotic Senators," to whom Mr. White alludes, are those who, with Mr. Smith, of Maryland, at their head, made a report, in the year 1830, in which they represented certain kinds of bank paper as being as good as gold, and even better than gold. If their opinion is correct, it ought to be confirmed. If it is not correct, its fallacy ought to be exposed; for error in such a subject as this, may be productive of incalculable mischief.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, July 21, 1841. No. 2.

THIS JOURNAL WILL CONTAIN,

1st. A new edition of "A Short History of Paper Money and Banking in the United States," by Wm. M. Gouge, with corrections and additions, bringing the narrative down to the present time.

2d. Essays on Banking, Currency, Exchanges and kindred topics, in which efforts will be made to place these subjects in the clearest light possible.

3d. A semi-monthly review of THE TIMES, embracing the most important events, especially those which relate to the money and produce markets, and which affect the general operations of business.

4th. Such miscellaneous matter as will, while it will add to the interests of the work, subserve its main object, which is that of showing the true character of our paper money and banking system, and the effect it has on the morals and happiness of different classes of the community.

This Journal will be especially intended for Farmers and Mechanics, but it is hoped it will not prove unuseful to Merchants and other productive members of society.

It will be published once every two weeks. Each number will contain sixteen pages octavo, double column, with the leaves stitched and cut, thus uniting the advantages of the open sheet with a form convenient for binding.

The paper will be fair and the type good. The price will be,

For one copy, one dollar and fifty cents a year.

For four copies, five dollars, or one dollar and twenty-five cents each.

For ten copies, ten dollars, or one dollar each.

In all cases, subscriptions must be paid in advance.

☞ As we stereotyped the first number of the Journal, we can complete the files of any number of new subscribers.

EVERY MAN HIS OWN BOOK-BINDER.

Experience has shown that the only successful way of approaching the American people, is by the open sheet. BROTHER JONATHAN is altogether too busy to cut apart the leaves of a periodical. Well knowing this to be the case, our first intention was to issue our Journal in the common newspaper form: but we changed our plan at the suggestion of some friends, who remarked that as the contents of our newspaper would be of permanent interest, it ought to be in a form in which it could readily be preserved.

Those who wish to preserve the different numbers in a perfect state, can easily do so by observing the following simple directions. Take two pieces of pasteboard, or other thick paper, a little larger in size than this page: and two flat strips of wood, about the length of this page, and about three fourths of an inch broad. The strips of wood are intended to prevent the pasteboard from being torn. Make perforations in each of the strips, exactly opposite to one another, and an inch or two from each end. Then take two bodkins, and a piece of narrow tape, or other thin cord, of suitable length.

We suppose it unnecessary to be more particular in our directions. It is very easy for "every man to be" in this way, "his own book-binder." And that this method of preserving newspapers and other periodicals, is seldom resorted to, must be merely because people "do not think of it:"—the very reason why Columbus's companions could not make an egg stand on end.

Our best respects to BROTHER JONATHAN. Our paper is good, and our type mostly new. As we have been at the pains to cut apart the leaves of our Journal, we have no doubt he will condescend to turn over our pages. Will he do us the additional favour of endeavouring to preserve them. He is a smart fellow, and it will give him less trouble to prepare this domestic book-binding apparatus, than it has given us to write this article. After the apparatus is once prepared, as each additional number of the Journal is received, it will require but half a minute to put it on file. Thus the first page and the last page will be kept equally clean; there will be no *stray* numbers: and at the end of the year, the volume will be neat and complete.

As it is not by any one or two or three numbers of this paper, but by many taken collectively, that its value is to be judged of, we are particularly desirous that complete files of it should be preserved. Brother Jonathan will find his account in becoming in this way his own book-binder. At the end of the year, he will find that he has got together a great quantity of "pretty and smooth reading," which will entertain him for many a long winter's evening, besides much that can be read to edification on Sundays, "'tween preachings."

A correspondent in Massachusetts wishes to know if we will give an *index* at the close of the year. Certainly, sir, if you wish it. As our design is that this Journal shall contain truths which will be of as much importance ten years hence as they are now, and concentrate a variety of facts which are now scattered through many publications, an index to facilitate reference would seem indispensable to the completion of the plan.

A North Carolina correspondent requests us to add to the list of Banks that have not suspended payment, the Merchants' Bank of Newbern. We have great pleasure in complying with the request. The charter of this bank has in it a provision "That in case of the inability of the Bank, to pay, the individual stockholders shall be liable to creditors, in sums double the amount of stock by them respectively held." "This individual liability" our correspondent adds, "has, as is thought, checked excessive issues."

THE BANK QUESTION.

We sometimes hear people say, "Ah, if banking was an original question, such views as you entertain ought to be generally adopted. But we have grown up under the present artificial system, and a multitude of interests have thereby been created, any interference with which seems more likely to do harm than good."

To this we reply, that *banking is an original question.* This country is, to borrow an expression from Edmund Burke, "but yet in its grizzle." Our population which was but three millions at the period of the revolution, is now seventeen millions: twenty-five years hence it will be thirty-four millions: in fifty years, sixty-eight millions: and so it will go on increasing till it equals the population of China. Is a population like this to suffer, through a long course of ages, such evils as we endure at present from our factitious credit and false money system?

We take it for granted that every man of good sense will admit that a country like this, ought to have a sound money, a sound credit, and a sound banking system. There may be difference of opinion as to what constitutes a sound system: but all intelligent men must agree in opinion that a sound money, a sound credit, and a sound banking system, are essential to the prosperity of the nation.

We take it for granted also, that every man of good sense will admit that, if our present system is not sound, much exertion ought to be made, and some suffering ought to be willingly endured, in order to make it sound.

"But would you," it may be asked, "in endeavouring to effect this object, entirely disregard existing interests?" We reply, certainly not. We think that nothing can be fairer than to afford men who have contracted debts in bank currency, an opportunity of paying their debts in currency of equal value. We are anxious that every man who has invested capital in bank stock, should, if possible, get back every dollar thus invested.

We hold it for a first principle, that all changes in the currency system of a country should be gradually made—that a sudden transition from a bad system to a good, must produce much evil.

We would not amputate a diseased limb, without first making suitable preparation. But then again, we would not defer amputation too long, lest gangrene should ensue.

What our own views are of a sound money, a sound credit, and a sound banking system, will be developed in this Journal, and also how such a system may gradually be made to take the place of that which is at present productive of so much evil. We ask for these views the candid attention of the unprejudiced. If we are in error, we are, we trust, open to conviction. Is it asking too much of those who differ from us in opinion, to give our arguments a fair hearing?

GOLD AND SILVER.

A member of Congress, who has mixed much with the people in one of the States, gives it as his opinion that one of the principal obstacles to a bank reform is, the erroneous opinions entertained by many, of the quantity of gold and silver in the world. He has requested us, and in fact almost exacted a promise from us, to say something in *every* number of our Journal, which may tend to enlighten men's minds on this subject. Since it is of so much importance, it shall receive a due degree of attention.

We begin to day with Mr. Gallatin's estimate of the quantity of gold and silver in Europe and America. In a work published by him in 1831, entitled "Considerations on the Currency and Banking System of the United States," he estimates the amount of the precious metals in these two quarters of the world at between four thousand and five thousand million dollars. This, it will be recollected, was ten years ago. The amount has since been considerably increased, as the mines have annually produced millions, and the demand for the China trade has been greatly diminished.

Taking the medium, however, of the two sums stated by Mr. Gallatin, namely—four thousand five hundred million dollars, and supposing the population of Europe and America to be two hundred and seventy-seven millions, it will amount to sixteen dollars and upwards for every man, woman, and child, on the two continents. The same gentleman estimates the whole amount of currency in the United States in 1829, paper and specie together, at only six dollars a head.

But the subject may be presented in a stronger light. Take us, man for man, and we are the richest people in the world, with the exception of the English, the Hollanders, and the Belgians.—Where the natural order of cause and effect is not inverted, the richer a country, the greater in proportion to population, will be the amount of gold and silver that will flow into it, and be retained in it. If a day's labor in America will produce a bushel of wheat, and in Poland only one-tenth part of a bushed, it is evident that America must have a much greater amount than Poland of surplus produce wherewith to purchase the precious metals, or whatever else may be desired.—It is not too much to say, that if the natural laws of supply and demand had not been interfered with, the United States would have, in proportion to population, four, five, six, seven, yea, eight times as much gold and silver as many of the countries of Europe. Take it at only the double of the average for the population of the two continents,

and it will amount to thirty-two dollars a head, or to five hundred and fourteen millions. This would give us one-ninth part of the stock of gold and silver in Europe and America, while our population is but one-sixteenth: but for the reasons already stated, under a natural order of things, we should have, man for man, a much larger portion of the precious metals, than falls to the lot of most countries of Europe.

Suppose, however, we had but the average of sixteen dollars a head. This would amount to two hundred and fifty-seven millions.

On two points do people (that is, some people) capitally err. First, in regard to the quantity of gold and silver in the world. This is much greater than they imagine it to be. Next, in regard to the amount of money required for commercial purposes. This is much smaller than they suppose it to be. Under a sound money, sound credit, and sound banking system, ten dollars a head would probably be amply sufficient in the United States.

THE TIMES.

It is one of the peculiarities of a paper money system, that under it, a country may abound in wealth, may owe nothing to foreigners, and yet every man in it *may* be bankrupt.

This may sound strange to many readers, yet it will be easy to demonstrate it.

Suppose a state to have within its limits one hundred thousand families, and each family to be worth ten thousand dollars. Here will be an aggregate of property of the value of one thousand million dollars.

Next suppose each head of a family to dispose of his own property on credit, and purchase an equal amount from some one else on credit. Here is an aggregate of debts and credits of two thousand million dollars.

Then suppose the circulating medium of such a community to be suddenly reduced in amount one-half. Through the shock that would be given to confidence, prices would fall more than one-half; but suppose them to fall only one-half. Here then will be but five hundred million dollars' worth of property, with which to liquidate two thousand millions of debts and credits. Each man will receive five thousand dollars from his debtor, and pay five thousand dollars to his creditor. Yet when all this is gone through with, each man will owe five thousand dollars, and have five thousand dollars owing to him. Every one would then be bankrupt, although the land, the houses, and all the other wealth of the State would be just what they were before "the contraction" began.

Now such a case as is here supposed, cannot occur in practice. A trading nation will owe more or less to foreigners; and much as we are in love with the "credit system," *every* man will not dispose of *all* his property on credit, and purchase an equal amount from others on credit.—The case will, however, serve to illustrate the effects of "a flexible" standard of value.

In a greater or less extent, such effects are produced by every contraction of our currency.—Sometimes they fall on one class of commodities, and sometimes on another. Sometimes on one part of the country, and sometimes on another.—The ruin is not so general as in the case we have supposed, but it is not therefore the less effectual with those who are the victims.

In the former great bank revulsion of 1819, the distress in Pennsylvania fell principally on owners of farms and town lots. Now it falls more directly on the owners of stocks of various descriptions. The incomes of different citizens of Philadelphia, from this single source, have, it is said, sustained a reduction of between one and two million dollars per annum.

Of course such a reduction in the income of one class of capitalists, affects very sensibly the general operations of society. Confidence being shaken, other capitalists fear to make investments, and many of the laboring classes have not profitable employment.

Yet in defiance of all this, our city seems to be advancing. New houses are going up in all directions, and among them are not less than seven or eight churches, including some founded last year. It was not so in the revulsion of 1819.—Then a stop was put to nearly all improvements.

We regret to say that appearances with us are in some respects better than the reality. For an example:—in a conversation with a leading capitalist, we learned that several large store houses he had in a commercial street, brought him no rent, and yet he suffered them to be occupied by men calling themselves merchants, because if they should remove, it might be thought that the neighborhood was a poor one for business, and then others of his store houses would be vacated. As a sign of the times, this is decidedly a bad one.

Then again we learn that in some large mechanical establishments, the men, though apparently on full wages, receive weekly only one-half. For the rest they have to trust——till times become better.

Yet, many individuals are doing a better business than they did in the years of great inflation. We will give one case by way of example. A certain manufacturing and commercial firm, having a branch in a city in one of the south western States, thought it was carrying on "a most flourishing trade" in the year 1835, '36, and '37. Its profits, according to its books, amounted to at least 25,000 dollars a year, which divided between two young men, who had but little capital to commence with, was certainly doing "a very fair business." When they tried to collect what was due to them, all their profits vanished, and happy enough were they to preserve their capital untouched. They are now doing a much less extensive, but far more profitable business than they did in the years of inflation, and this, we doubt not, is the case with multitudes of others. Indeed, our merchants generally are said to be much less dependant on the banks than they were in former years, and this is a sure sign, if not of present, at least of coming prosperity.

In some other parts of the country, the signs of prosperity are less equivocal. The revenue from the New York and some of the Ohio canals, has exceeded that of the corresponding months of any

previous year. This shows an increase of real trade.

If we turn to our foreign trade, we shall find nothing therein to discourage us. Our exports of domestic produce in the year ending September 30th, 1840, amounted to nearly one hundred and fourteen millions. In 1839, they were only one hundred and three millions. In 1838, they were still less, having been only ninety-six millions; and in 1837 less still, having been only ninety-five millions.

If Congress will only "let us alone," all will at length come right. If we do die, it will be of the doctor not of the disease.

CONGRESS.

In compliance with a proclamation of the late President, (Gen. Harrison) a special session was convened on the 31st of May.

Owing to some difference of opinion on points of order, it took the House longer to organize, than it would take a man to travel from Liverpool to New York. In the Senate no such difficulty occurred. While we write, the two bodies have been in session for more than six weeks, and yet, an act appropriating 25,000 dollars for the relief of the widow of the late President, is the only one that has been passed, or at least the only one of moment enough to attract attention. We mention this not by way of reproach or regret. As a general rule, the less legislation the better.

In both houses there have been some interesting discussions, especially in the Senate, on the state of the public finances, and on the repeal of what is called the "Sub-Treasury bill." This bill was ably supported by Messrs. Woodbury, Calhoun, Wright, Benton, Allen, McRoberts, and others; but when the vote was taken, its friends were to its opponents as only 18 to 29. We are not surprised at this result. The measure has not been suffered to rest on its own merits; but has been made to bear the odium of whatever was (whether rightfully or wrongfully) unsatisfactory to a portion of the people in the administration of public affairs during the twelve years in which Gen. Jackson and Mr. Van Buren held the reins of Government.

Regarding the repeal of the measure as a signal triumph over the last two administrations, it was pushed through the Senate with a haste which gave its friends just cause to complain that the rights of free discussion were invaded. After all, however, the measure is but half repealed. The Independent Treasury system has two leading features. By the first, bank and state are professedly separated: by the second, the application of public funds to private uses is made a criminal offence. The Senate's bill will, if it should become a law, (as we suppose it will) restore the connection between bank and state, but will not justify the application of the public funds to private uses, on the part of those officers who are entrusted "with the safe keeping, transfer, or disbursement of the public moneys." It is, we suppose, intended that corporations being public depositories shall have the privilege of using the money; but this privilege which was, by connivance, exercised by individual officers from the foundation of the government till the passage of the act of July 4th, 1840, is not to be restored to them. It should be matter of congratulation with the friends of the Constitutional system, that this important part of it is to be retained.

In the House, a bill has been passed, to divide the proceeds of the public lands among the States. The hope that this will relieve the State governments from their embarrassments, will prove utterly fallacious. And it will, in the present state of our finances, impose on the United States Government the necessity of imposing new taxes on the people, in an amount exceeding the sum to be distributed among the States.

Another bill, which has been passed by the House, is one to authorise a loan for twelve million dollars. In our treasury notes, we have a *floating* debt, which is bad enough. If a nucleus is laid in time of peace for a *permanent* national debt, what may it not ultimately swell to?

Among other measures that have engaged the attention of Congress, are Mr. Ewing's (the Secretary of the Treasury) and Mr. Clay's plans for fiscal agencies. These are of importance enough to require separate articles.

MR. EWING'S FISCAL AGENCY.

This is nothing but an old fashioned Bank of the United States, with some provisions which render it more objectionable than either of the two former national banks.

The bank is to be located in the District of Columbia, with power to establish branches in the several states, *with the assent of the States.*

The capital is to be thirty million dollars.

The United States Government is to subscribe one-fifth part of the capital, or six millions; and on the supposition that it is the intention of Congress to pay the fourth instalment of "the surplus revenue" into the treasuries of the States, the U. S. Government is to subscribe about nine millions more on account of the States.

For the amount to be subscribed by the government, in all about fifteen millions, a stock is to be created bearing an interest of five per cent. per annum, redeemable at the pleasure of the government, at any time after fifteen years.

If Congress shall not see fit to pay the fourth instalment to the States, the States are to be permitted to take the stock of the Bank, according to their respective amount of population, to the extent of ten millions in all, issuing therefor stock of their own.

If no subscription is made on the part of the States, the U. S. Government is to subscribe for ten millions of the stock.

The affairs of the Bank are to be managed by seven directors, two of them to be appointed by the President with the advice and consent of the Senate, and five to be elected annually by the stockholders.

Each branch is to be managed by not more than seven, nor less than five directors, two of them to be appointed by the State in which the branch is situated, if such State be a stockholder, and the rest to be appointed by the Directors at Washington City.

The Bank is to be the fiscal agent of Government.

Its existence as a corporation is to continue for twenty years, with power to use its corporate name for two years longer in settling up its affairs.

This plan proposes to involve the United States in a debt of from six to fourteen millions; at a time when it is asserted that the ordinary revenue is insufficient to meet the ordinary expenses. In one contingency, it proposes to add to the amount of State debts, although many of the States are unable to pay the interest on debts already incurred.

It complicates the affairs of the State governments, and the United States government, in a manner never contemplated by the framers of the constitution.

It establishes a *political* bank, and of all kinds of banks, political banks are the worst. Government directors not being directly responsible to the stockholders, care less, generally speaking, for the interest of the institution which they control, than for their own interest. With two government directors at Washington, and two in each State, politicians of the party that happens to be uppermost, may expect to be amply accommodated, but the interests of merchants will be a secondary consideration, and those of the stockholders will be hardly regarded at all.

The constitutional objections to a national bank are not removed by this plan. In requiring the assent of the States to the admission of branches within their bounds, it tacitly admits that the constitution does not confer on congress the power to establish banking institutions in the States without their assent. But it provides for an enlargement of the power of the U. S. government in a manner unknown to the constitution. The perfection of republican government consists in securing the rights of the *minority*. This object the framers of the constitution sought to attain, by giving the weaker States an equal representation in the Senate with the stronger, and by providing that amendments to the constitution shall require the concurrence of two-thirds of both houses of congress, and that of the legislatures of three-fourths of the States.

On this plan, however, the powers of the general government may be greatly enlarged by the concurrence of a bare majority of both houses of congress, and that of the legislators of less than one-half of the States.

Is it possible that those States' rights men who have given this plan their countenance, have considered it in all its bearings? Admit the principles on which it is founded, and the District of Columbia becomes a mere fortress for the invasion of State rights.

MR. CLAY'S FISCAL BANK.

This differs from Mr. Ewing's principally in *not* requiring the assent of the States to the establishment of branches within their limits. The capital is to be thirty millions, with the privilege of increasing it to fifty, if deemed necessary or expedient.

To it the following objections apply.

1st. The ninth amendment to the Constitution declares that "the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively or the people." The Constitution contains no clause giving Congress the direct power to establish a bank.

2nd. When it was proposed in Convention that Congress should have power to establish corporations, the proposition was rejected, on the express ground that this would give Congress power to incorporate a bank.

3rd. The establishing of a corporation, is not "the necessary and proper," or, if the phrase be preferred "the natural and appropriate," way of conducting the fiscal concerns of the Union. The natural and appropriate way is in offices established by Government, and by officers subject to the complete control of Congress. These are all that are "necessary and proper."

4th. One of the main objects for which the Federal Constitution was established, was that of making this a *hard money* government. This object is completely frustrated by the use of bills of credit (for such are bank notes) in fiscal transactions.

5th. The sixth article of the ninth section of the Constitution declares, that "no money shall be drawn from the Treasury but in consequence of appropriations made by law." This article will be violated if the bank makes any loan or discounts on the public funds. Money to the credit of the Treasurer of the United States is always considered as being in the Treasury. It cannot be *in* the Treasury and *out* of it at the same time. It cannot be lent to individuals all over the country, without violating the express provision "that no money shall be drawn from the Treasury but in consequence of appropriations made by law."

6th. If the Government of the United States becomes a money lender, it must, having at present no "surplus revenue," impose additional taxes on the people, or else run the nation in debt to a greater extent than would otherwise be necessary. The balance nominally in the Treasury (but really lent out to speculators) must be from four to six millions more than would be requisite under a sound fiscal system.

7th. The money thus lent out, will, when most wanted, not be available for the public service. If the bank should endeavor to collect it, at short notice, it will thereby spread ruin through the community. This is exactly what occurred under "the pet bank" system. The public money was lent by the banks to merchants and speculators. Congress directed it "to be deposited with the States," in order that it might be applied to public uses. The banks made an attempt to collect it from those to whom they had lent it. Is it necessary to tell what was the consequence?

8th. In time of war the bank must inevitably suspend specie payments, and who can say how long it would be before such an event would occur even in time of peace. So complicated would be the affairs of the bank and the government, that it is probable the latter would connive at, if

not directly sanction, the suspension of specie payments. Then, for all practical purposes, **OUR STANDARD OF VALUE WOULD BE GONE.** Under the existing laws we have been able, through three suspensions of specie payments, to preserve the standard of value. This is what never before occurred, in either Europe or America, under like circumstances, and none but those who have diligently studied the effects of former suspensions, can judge of the good that has been done, or rather of the evil that has been prevented, by our preserving the standard of value, through all our commercial troubles, and pecuniary difficulties.

9th. The institution will improperly connect banking and fiscal transactions. Resting on distinct principles, they ought to be kept distinct in practice. Our banks will never be conducted on *true commercial* principles, till a complete separation is effected between their affairs and those of the government.

10th. A leading object in a republican government should be to preserve the *individuality* of the citizens. The balance of social power is destroyed when a few men, out of a multitude, are conjoined in one body, with the privilege of making money out of paper, and with the power of affecting, either directly or indirectly, the credit and the business of every man in the country.

11th. In the present state of society, the grant of pecuniary privileges to individuals, is much more injurious than would be a grant of political privileges. If Congress should pass an act granting to some thousands of persons in different parts of the Union, five hundred votes a piece, such a grant would be less injurious to the public welfare, than that which is proposed in the bill.

12th. Supposing the act of Congress to be irrepealable, (a supposition to be indulged only by way of argument) the practical control of the finances of the Union, will be taken from the people, or from their representatives, for the period for which the bank charter extends.

13th. The property and the labor of every man in the Union, will be pledged to pay the interest of the stock the Government will subscribe, and ultimately the principal. But few, relatively speaking, will derive any advantage, either directly or indirectly from the Bank: and *favoritism* will determine who those few shall be.

14th. The plan proposes to substitute the discretion of little knots of bank directors, for the laws of nature and the laws of trade, in the regulation of foreign and domestic exchanges.

15th. It holds out a delusive prospect of regulating the State Banks and State Bank currency. Unless Congress shall pass a bankrupt act including corporations, no power on earth can regulate the State Banks, but the power that created them; that is, the Legislatures of the different States.

16th. The establishment of this bank will interpose obstacles to the introduction of a banking system founded on correct principles, that is to say, to a system in which bankers shall be responsible in the whole extent of their private property, and in which they shall conduct their business by means of hard money, and *bona fide* bills of exchange, or notes of such denominations as will be representatives of real bills of exchange.

17th. If all the instalments, after the first, due by private stockholders, are paid in with stock notes (as is usual in forming bank capitals in this country) the new National Bank will be a mere *bubble* bank.

18th. If the bank is to have a solid capital of gold and silver, collecting that capital together will derange the operations of the present specie paying banks, and prevent many of the others from resuming specie payments.

19th. After the bank is established, all the legitimate business it will do, will be so much taken from the other banks. For every dollar it circulates, the State banks will have to draw in a dollar. This will cause a pressure on their customers. Creating a new credit is no compensation for the evils produced by destroying an old one.

20th. The political party which is in power, for sixteen years in twenty, is opposed on principle to the establishment of a National Bank. In every step it takes, the new institution will meet with strong political opposition. Though we place this objection last, it is not the least.

We do not pretend that there is much novelty in these remarks. But truth loses none of its force by age.

We hope sincerely that Messrs. Ewing and Clay, and their friends, will carefully reconsider this subject. It will be quite possible for them to establish a Fiscal Agency which will be free from all these objections.

BANK FAILURES.

The *Chattahoochee Rail Road Bank*, of Georgia, which has just closed its doors, is said, by the Jeffersonian, published at West Point, Georgia, to have been a stupendous fraud. The whole country is flooded with its issues, amounting to millions, and yet it never had ten thousand dollars of specie in its vaults. Its nominal capital was three million of dollars, but it is averred that three millions of cents were never paid in. Its very first step in obtaining its charter was a fraud on the Legislature, as the making of a road was never in serious contemplation. Not a dollar, adds the Jeffersonian, was paid in by the Stockholders, but on the naked charter they went on to issue bills without limit. "Now, it is said, the bank is broke. How broke? How could it break if there was the smallest particle of honesty in its transactions? For nearly the whole time the bank has been in operation, specie payments have been suspended. It has paid out nothing but bills. How then, we repeat, could it break?"

This is the greatest fraud ever committed in Georgia. There is scarcely a man or a woman in that part of the State, who has any bills at all, but has most of them on this bank. This, added to the pressure of the times, will make the distress very severe.

The *Bank of Darien*, Georgia, is now, says the writer of the money articles for the New York Herald, "broken to all intents and purposes. There are now judgments outstanding against it,

and the banking house and property would long since have been levied upon, but for the management of the Cashier."

According to the return made on the 17th of April last, the whole assets of the bank were $688,000. Of this amount, $559,000 consisted of bills and notes, and of these $410,000 were either in suit or under protest. Thus three-fourths of the assets of the bank were in the hands of the lawyers.

The amount of specie the bank had in April, was, according to its return, $10,565; and the amount of bills in circulation, $146,499. This, the Herald states, the managers now refuse to redeem at any rate, "and the bill holders will probably lose all." It adds that the amount of bills out is greater than stated in the April return, as the Cashier came on to New York, and in order to raise funds, put in pledge notes of the bank to the amount of $200,000. In case the house which received these notes should not be reimbursed in due season for the advances it made, "a sufficient amount of the bills hypothecated were to be sold, and in addition $50,000 of the bills were to be forfeited. This process may be going on, as the quantity of bills now offering is rapidly increasing."

The history of the Bank of Darien would, if faithfully written, be very instructive. This is not the first time that it has broken.

BANK DEFAULTS.

A gentleman not long since requested from us a list of the defaults that have occurred among officers of banks within the two or three last years. We could not give it to him. But it is proper that we should make a distinct classification of them in our Journal, in order that any person who is so disposed, may sum them up for himself at the close of the year.

The following are all that have fallen under our notice since the publication of our first number. It will be recollected that that was issued in advance of the regular day of publication.

A committee of investigation appointed by the stockholders of the Amherst Bank, Mass., have discovered some unfortunate discrepancies in the accounts of its former managers, amounting in all to about twenty-four thousand dollars. The persons implicated are said to be men who have heretofore sustained characters as free from reproach as any in Massachusetts.

The Stamford (Conn.) Bank recently made a dividend of one dollar on each share, which report says was out of its capital. The Commissioners say it was not in a condition to make any dividend.

The Rochester Democrat states that the Cashier and President of the Farmers' Bank of Seneca County, N. Y., have been brought to that city from Maine, and committed to jail in default of security, on several charges of a very serious nature relating to financiering operations.

The Savannah Georgian says, "that the amount of the deficiency of the late Cashier of the Branch of the Central Rail Road Bank at Macon, has been secured to the satisfaction of the company." The amount was, we believe, $25,000 dollars.

The Mobile Journal states that several arrests have been made in Benton and Tallapoosa counties, of persons accused of being parties to frauds on the Montgomery branch of the State Bank of Alabama. The Jacksonville, (Benton County,) Republican adds, that one of the parties, on being arrested, refunded the money, and that another contrived to escape and took to the woods. He was discovered there, and recaptured, after a short conflict with one of his pursuers, named C. Samuels, in which guns were snapped on both sides ineffectually, and Mr. Samuels wounded by a bowie knife.

The amount of these frauds is variously stated at from 150,000 to 200,000 dollars. They have caused much excitement in the interior of the State, and meetings have been held in several of the counties, at all of which the State Bank system has been denounced as corrupt and ruinous; and in most cases the question of winding up the State Bank is to be made a test at the ensuing election of members of the Legislature. "We presume, however," says the Mobile Journal, "it will be very difficult to find any candidate now who will take ground in favor of the system."

The Frederick County Bank of Maryland was robbed on the 23rd of May, of one hundred and eighty-five thousand dollars, in notes, specie, and other valuables. Such were the circumstances of the case, that one of our newspaper editors was led to inquire whether the robbery had been effected by means of false entries or false keys. Very recently all but about $19,000 of the property stolen has been recovered through the agency of Mr. Wylie, an Associate Justice of a police court in New York. As the matter will be judicially investigated, we will wait for further develepements.

BANK RETURNS.

We find in the Portland Advertiser an official abstract of the condition of the Banks of Maine up to the 5th of June. The whole number of banks is 42. Their condition is as follows:—

Resources—	Specie,	$232,461 52
	Real estate,	193,443 23
	Bills of other banks,	130,732 71
	Balances due from other banks,	365,973 48
	Loans,	4,973,649 50
Making an aggregate of		$5,896,260 44
Liabilities—	Capital,	$3,514,000 00
	Bills in circulation,	1,422,513 00
	Balances due other banks,	72,442 82
	Deposits,	606,331 64
	Deposits on interest,	117,777 71
	Profits,	163,195 27
		$5,896,260 44

The banking capital of the State is $3,564,000, the Bank of St. Croix being omitted in the above table. The proportion of specie to circulation is 1 to 6, and the institutions generally are pronounced to be in a sound and healthy state.

TO THE FRIENDS OF THIS JOURNAL.

The editor of the Petersburg (Va.) Statesman acknowledges the receipt of the first number of this Journal, and "hopes sincerely that we may meet with patronage sufficient to justify its continuance." We presume that the editor overlooked a paragraph in which we stated that such arrangements had been made as to ensure the publication for one year, whether we should lose or gain by it.

In some quarters whence we hoped for support, we have, we confess, been disappointed; but the patronage we have thus far received, has, perhaps, been quite as great as could reasonably be expected, considering the season of the year, the short notice given of our intentions, and the present circumstances of the country.

To many members of Congress, we are under great obligations for the aid they have rendered in diffusing a knowledge of our plan; and also to gentlemen in Springfield, Illinois—Terre Haute, Indiana—Troy, Missouri—Canton, Dover-Canal, Warren, Morristown, McConnelsville, Somerset, and Hamilton, Ohio—Poughkeepsie, New York—Newark, Delaware—Woodville, and Barnwell C. H., South Carolina—Eatonton, Columbus, and Augusta, Georgia—Danville, Pennsylvania—South Reading, Massachusetts, and to gentlemen in Philadelphia and New Orleans. To one friend in New Orleans, we are under especial obligations. We have also heard of lists of subscribers having been obtained in other places, though they have not yet come to hand. Our circulation is certainly not very great, yet it is already quite diffusive, embracing more than one hundred post offices, without counting exchanges.

We should be very loath to force this Journal into the hands of any one unwilling to receive it: but to many, we are persuaded, it would prove a most acceptable visitor, especially after opportunity shall be afforded of making a full developement of our plan. The whole difficulty lies in our finding them out, and in their finding us out. It is to aid in bringing us together, that we solicit the interposition of our friends. We have no expectation that our Journal will rival in circulation those of a more miscellaneous character. It will go only among *thinking* men, and among only a part of them; namely, among those whose attention is in some degree aroused to the importance of a correct insight into the questions of credit, currency, and banking. We look at the patronage we have already, as a sure indication that by reasonable efforts on the part of the friends of sound principles, in places in which we have as yet no subscribers, such additional support may be secured as to ensure the continuance of this Journal long enough at least for us to say all that will be necessary for a proper understanding of the important subjects of which it will treat. Under any circumstances, however, as already stated, the Journal will be continued for one year.

We cannot conclude this article, without expressing our acknowledgments to the editors of the Pennsylvanian, the Public Ledger, and the Saturday Chronicle of this city; the New York Evening Post, the Pittsburgh Manufacturer, the Kentucky Yeoman, the Blairsville Record, the Vicksburg Sentinel, the Democratic Standard, Perrysville, Ind.; the American Union, Steubenville, O.; the Republican Farmer, Bridgeport, Con.; the Barre (Mass.) Gazette, the Chillicothe Advertiser, and others, for the friendly manner in which they have spoken of our undertaking. We are also under obligations to editors in various parts of the country, for having given our prospectus a place in their columns.

LEGAL DECISIONS.

An important decision has been made in the District Court of this city, in a suit which had been for some time pending. It was brought by Charles Kuhn, Esqr., against the United States Bank, for $7,029, with 12 per cent. interest, being the amount of deposits due to the plaintiff on the 8th of June, 1837. The bank refused to pay, except in current funds. Judge Stroud's charge was in favor of the plaintiff; and a verdict for the whole amount in specie, with 12 per cent. interest, was rendered by the jury.

A person was not long since prosecuted before Judge Barton, in the Court of Criminal Sessions of this city, for passing counterfeit one dollar notes, purporting to be of the Salem Banking Co.: but was cleared by the jury, on the ground that as it is unlawful to circulate genuine notes of a less denomination than five dollars, any person who receives them violates the law, and, as he is *particeps criminis*, cannot, if he suffers any loss thereby, appeal to the law for redress.

The Circuit Court of Rankin County, Miss., at its late session, decided that a loan of depreciated paper by a bank was a usurious transaction. The Mississippian thinks that the High Court of Error and Appeals will certainly sustain this decision, and says that, in this case "the fate of the Union Bank and all other shaving shops in the State will be finally settled: no collections can be enforced, and their paper of course will become worse than worthless."

Another court in the same State, has decided "that the return by the sheriff of an execution, is not legal unless the satisfaction is in legal currency. Several executions" says an exchange paper, "were satisfied in Union, Port Gibson, and Grand Gulf shinplasters; and under the decision of the court, the defendants are obliged to satisfy them again in good funds."

THE CROPS.

The prospects of the coming crops, are, so far as we can judge from our exchange papers, generally good. There are some exceptions, but they appear to be confined to narrow districts. We are greatly blessed by Providence. We have peace with foreign nations, and peace within our own borders. The earth yields her increase in abundance, and no pestilence overspreads the land; yet, owing to our factitious credit, and false money system, there is much private suffering and much public. "We have a smiling country, and a wretched people."

INCIDENTS.

The Bank of the United States has instituted a suit against Mr. Nicholas Biddle, to recover nearly seven hundred thousand dollars, paid out during his administration, for which no vouchers can be found, and of which amount, it is asserted, more than four hundred thousand dollars were paid by him for purposes unknown, upon the checks of the cashier. A writer in one of the papers, maintains that it is very unfair, not to include some of the Directors in the suit. The facts which will be revealed in the course of the trial, will, no doubt, show whether this charge of unfairness is well founded.

The present President of the United States Bank has given notice that an application will be made to the Legislature, at its next session, to change the name of the institution to that of "State Bank of Pennsylvania," and to reduce its capital to fourteen millions. We can see no use in this. Reducing the nominal capital of the bank, will not add one cent to the value of its assets, or take one cent from the amount of its obligations. The *nominal* value of each share of stock in the market, will thereby be doubled: but this will produce no substantial advantage to the stockholders. As the Bank is at present, with its stock at 18 for 100 paid, it may serve as a beacon to other banks, and many of them require such a beacon.

The Farmers' and Mechanics' Bank has given notice that it means to apply for an extension of its charter, with the privilege of increasing its capital to two million dollars. From this disposition to invest more capital or at least fresh credit in the business, it would seem that paper money banking is still profitable to those engaged in it, although they want either the inclination or the ability to discharge the demands of holders of their paper. Banks with a moderate capital are, generally speaking, best managed. The Farmers' and Mechanics' Bank has been among the best managed of our institutions. We doubt if the *permanent* interest of the stockholders will be promoted by increasing the capital.

Dr. Eldridge, who was accused of passing simulated checks on our banks, has been tried three several times, and finally discharged, the jury in no one case being able to agree on a verdict. In some respects this is a most extraordinary case. It is not alleged that he had any accomplice, and supposing him to be the guilty one, he must have paid very many visits to the banks, in carrying out his frauds, yet he could not be identified to the satisfaction of judge or jury. From the reports we have seen of his trial, we could not, if we had been of the jury, have voted for his conviction.

Mr. Daniel Albright, one of the clerks who was dismissed from the United States Bank, on the reduction of the number of persons employed in that establishment, has laid violent hands on himself, and left behind him a paper, giving as his reason, his dread of coming to want. The Pennsylvanian, with great good sense, advises persons in such a frame of mind, to betake themselves to labor on a farm or in a garden, or, if that be not practicable, to study diligently some branch of science, till some more profitable employment shall offer. The advice is most excellent, and may be followed by those who are only in the incipient stage of *melancholia.* Thousands are probably now in this condition. Never before, within our memory, were suicides so frequent. Many of them can be traced to diseases of body: but trouble of mind is one of the most efficient causes of disease of body.

At a session of one of our county courts, held during the week beginning July 4th, three hundred and forty-eight persons applied for the benefit of the insolvent laws. Considering the times, this is quite moderate, being only at the rate of fourteen hundred per annum for the city and county of Philadelphia, or 81,000 a year for the whole Union, supposing the insolvents in other places to bear the same ratio to population.

The borough of Hollidaysburg has, in imitation of the borough of Harrisburg, issued small notes, bearing a very small amount of interest, and redeemable some years after date. Thus we go. The State violates the constitution of the United States: and the boroughs violate the laws of the State. We heard a reflecting man say not long since, that the worst symptom of the present times, was the utter disregard of law shown by men in high places. How long will it be, before private individuals, in imitation of the officers of moneyed and municipal corporations, begin to substitute their own discretion for law, and what then becomes of society?

The Pittsburg Mercury complains of the trustees of the U. S. Bank for compelling the debtors to the branch at New Brighton, to pay their debts to the agent at Pittsburg. It further avers that "in the collection of debts due to the branches in Pittsburg, Beaver and Erie, the trustees first refused to take the paper of the Bank in payment of the debts due to it: and many of its oppressed and down trodden debtors, after having been at much trouble and expense to procure U. S. bank notes to pay off their liabilities, were coolly told that the trustees could not take such money."

Let us pass into other States.

New York.—Mr. S. V. L. Wilder, one of no small renown in the financiering world, has failed for it is said a million of dollars. His friends say he will ultimately be able to pay all.

The petition from New York in favor of a National Bank was two hundred feet long, and believed to contain fifteen thousand names. On the other hand, some two or three thousand of those opposed to such an institution, have held a meeting in the Park. The proceedings were very spirited, and it is said a much larger meeting will be held.

Massachusetts.—A young Virginian, formerly holding good rank in the United States Army, has been found guilty at Boston of forging a receipt for the purpose of obtaining money from a paymaster, and sentenced to lie one year in the Common Jail. "He is," says the Boston Daily Advertiser, "a fine looking man, and of most respectable parentage. His mother is a widow, who was *formerly* in independent circumstances, but

has been somewhat reduced, occasioned in part *by the failure of the United States Bank*."

We would not in the least diminish the sympathy felt for this young man; but human sympathy would probably be exhausted, before it could embrace all the cases of men who are driven to commit offences, through the poverty occasioned, either directly or indirectly, by the operations of our present banking system.

Michigan.—The Detroit Daily Advertiser maintains that not one of the banks of that State has complied with the conditions necessary to entitle it to the benefits of the suspension act of last winter.

The farmers of Lanawee county intend, it is said, to enter into a compact to receive nothing but specie or the notes of specie paying banks, in payment for their produce.

Wisconsin.—It is stated in a St. Louis paper, that the Bank of Mineral Point is paying out *lead*, instead of gold and silver. A gentleman of that city, on presenting $40,000 of its paper, received lead in return. "But it is not," says the Journal of Commerce, "in a crude mass, for a proper form and comeliness has been given it by letting it run through a Mississippi light house. It is then paid out by the bank under the various denominations of balls, buck, pidgeon, duck, robin, and mustard shot. And these *assets* "go like shot" among the creditors of the institution, who seem to have but little hope in this their *fiscal agent*."

Missouri.—The Bank of this State at St. Louis declines redeeming the notes of its branches; and in consequence thereof the notes of the branches are no longer received at the Land Offices in Missouri, Illinois, and Iowa.

Mississippi.—The Union Bank was established a few years ago with a capital of five million dollars. So low is now its condition, that the Cashier was recently endeavouring to negotiate a loan of 25,000 dollars, to pay the expenses of the institution.

Louisiana.—In our first number we spoke of the unpleasant feelings entertained by some persons in New Orleans towards Mr. Wright, a merchant of that city, on account of some communications he was supposed to have made to the Vicksburg Sentinel. They finally led to a duel between him and a Mr. Oakey, another merchant, in which Mr. W. was killed with a rifle ball.—This result neither refutes nor sustains the charges which Mr. W. is supposed to have made; and it is much to be regretted that recourse should ever be had to so very unsatisfactory a mode of settling disputes. This deplorable affair is an indication of the state of excitement into which men's minds have been brought.

Arkansas.—We copy from the Southern Patriot the following account of certain doings in one of the counties of this state.

"About twenty men in Philips county, Arkansas, recently "ran off" the Judge, refusing him permission to do his duty, and resolving to *hold court* themselves. Many executions being by law returnable the last May term of that court, and much property advertised to be sold; and moreover the Real Estate Bank at Helena and the branch of the State Bank at the Post, having brought a great number of suits in that court, a long petition was got up, signed by some two hundred persons praying the Hon. Isaac Baker, who was to hold the court, not to do so. The petition was borne to Columbia and presented to the Judge. Judge Baker proceeded, however, to Helena, for the purpose of holding the court. Finding that he could not be persuaded to decline doing the duty imposed on him by law and the obligations of his official oath, about twenty men armed themselves and took possession of the court house, the doors of which they barricaded, and refused to permit any person to enter. The sheriff attempted to obtain an entrance, and threatened to break down the door. The response was, that if he did he would instantly be killed. The sheriff accordingly desisted, and made a requisition upon the Colonel of the county militia for fifty men to enable him to suppress the rebellion, but the affair terminated in the full triumph of the rebels, and Judge Baker returned home to Columbia."

How long will it be if debt goes on continually increasing, before the authority of the courts in some of the other states will be set at defiance? It was debt that caused what is known as "Shay's Rebellion" in Massachusetts, soon after the close of our revolutionary war; and debt, carried to a certain extent, will produce insurrection any where.

COUNTERFEITS.

No less than three Counterfeit Detectors are published in this city—Bicknell's, Montgomery's, and Van Court's. The latter, for July, which now lies before us, contains specific notices and descriptions of altered and counterfeit notes of the following denominations:—

Of One Thousand Dollars,		-	2
Of Five Hundred	"	-	7
Of Two Hundred	"	-	1
Of One Hundred	"	-	38
Of Fifty	"	-	74
Of Twenty	"	-	130
Of Ten	"	-	380
Of Five	"	-	588
Of Three	"	-	207
Of Two	"	-	168
Of One	"	-	132
Total,			1727

Besides these, many others are mentioned in general terms.

The counterfeits on the Bank of the United States are not included in this number. They were so various, that one specimen from each would have sufficed to paper one side of a room.

Mr. Van Court has had the kindness to hand to us the following notices of counterfeits that have come to his knowledge since the last number of his Detector was published. We intend to keep our readers apprised of all the new species of spurious notes that may hereafter be issued, unless they become so numerous as to occupy too great a space in our Journal.

Tradesmen's Bank, New York.—5s, letter E., Sept 1, 1840, and payable to J. Hanley. W. H.

Falls, cashier; Preserved Fish, president. Tolerably well done, and easily imposed upon the unwary.

Bank of the Valley, Romney, Va.—1s, letter A, dated July 1, 1839. Signed Jno. McDowill, cashier; instead of M'Dowell.

Bank of Kentucky.—The Louisville Journal of the 8th inst. notices a new counterfeit on this bank, of the denomination of $500. The fact, however, that the Bank of Kentucky has never issued notes of a higher denomination than $100, is sufficient for the protection of the public.

Louisiana State Bank, New Orleans.—10s, spurious. Signed L. Bihl, cashier, C. Clement, president. Engraved by the "Western Bank Note Company." They bear no resemblance to the genuine bills.

THE FOREIGN NEWS.

It is an old remark "that the thermometer of American prosperity is hung up in the Stock Exchange of London." It is so, because the first link of our artificial credit system is fastened to a staple in that building, or rather in the Bank of England. It is to be regretted that it is so; but since it *is* so, it behooves us to watch the course of events abroad as well as at home.

At the date of the last advices, the prospect of the crops in England was fair. This is important intelligence. A short crop in England, compels that country to export gold to the continent. As a consequence she is forced to contract her bank circulation, and her credits to American houses, and this has an important effect on banking and commercial operations on this side of the Atlantic.

The Whig ministry, finding themselves too weak to carry out some of their principles of policy, have had Parliament dissolved, and all England is now in the turmoil of an election. The Conservatives expect to triumph. If such should be the case, their success will not probably have an injurious effect on the amicable relations of this country and Great Britain.

France is exhausting her wealth in an effort to conquer and colonize Algiers, and to fortify Paris. Bad for the banks and for the people.

The different governments of Europe are in the market for loans, amounting in all to about three hundred million dollars. This is quite moderate. Three thousand million dollars would not satisfy our American States.

The Texans are making arrangements to annex California to their republic, peaceably if they can, forcibly if they must. Their success will be "good for trade."

In Peru there has been another revolution.—The frequent revolutions in what was once Spanish America, have, in one respect, considerable influence on the affairs of the commercial world, as they greatly diminish the supply of gold and silver from the mines.

The cotton market is in a good state. The sales in Liverpool from June 26th, to July 2nd, were 50 Sea Islands, 14 a 17½; 10 Stained, do, 7; 8000 Upland, 5¼ a 7¾: 11,460 Orleans, 4¾ a 8½; 4760 Alabama and Mobile, 5¼.

In London, on the 4th of July, money was worth five per cent. Consols closed at 89¾ to 89⅞.

Whitmore, Wells & Whitmore, private bankers in Lombard street, have failed.

In American securities nothing was doing. The failure of the State of Indiana to pay in the beginning of July, the interest on its bonds, gave another shock to "American credit."

EXCHANGES.

The quotations of foreign exchange in the table on our next page, are for bills payable 60 days after sight. Those for domestic, for bills payable at sight.

In the prices current, $4 44 4-9 were long assumed as the par of exchange on England: that is to say, a pound sterling was supposed to be worth that many dollars and that many cents. This practice began when Spanish pillar dollars were in circulation, when silver was a standard of value in England, and when the silver coins of that country were in a very bad condition. It was, probably, when adopted, the true par; but after the British made gold their standard, the true par varied with every change in the market value of gold and silver. It was estimated by Mr. Gallatin, in 1829, at 7 per cent. above the nominal par; and by Mr. Raguet, in another year, at 8 per cent.

Since the passage of the Act of Congress of January, 1837, the true par, estimating British gold against American, would, if British sovereigns were of full weight and fineness, be very nearly 9½ above the nominal par; but as British sovereigns are deficient in both weight and fineness, the true par may be assumed to be about 9 per cent. above the nominal par.

The quotations of exchange on France, are so many francs and centimes, (or hundredth parts of a franc,) for a dollar paid here. The silver franc should, according to the regulations of the French mint, contain 69 grains and nearly half a grain of pure silver, worth a very little less than 18¾ cents in the silver currency of the United States.

The quantity of pure silver in an American dollar, is equal to that in 5 francs, 34½ centimes, and a very small fraction more: but as foreign coins are not a legal tender in France, and as a *seignorage* or fee of about 1½ per cent. is charged for coining silver at the French mint, American dollars, when sold as bullion in France, are said to bring, on an average, not more than 5 francs 26 centimes and a very small fraction. This is by some writers assumed as the par of exchange on France. Other writers assume 5 francs 34 centimes as about par.

The quotations of exchange on Holland are so many cents for a guilder: on Hamburg, so many cents for a mark banco; and on Bremen so many cents for a rix dollar.

Forty cents are usually assumed as the par of exchange on Holland, though the exact value of the guilder is in reality a very small fraction less.

The mark banco of Hamburg is a money of account, equal to 35 cents and a small fraction of United States currency.

The rix dollar of Bremen is, also, a money of account, equal to 80 cents and a small fraction of United States currency.

PRICES OF BANK NOTES AND SPECIE.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	¼ *a* ⅜ dis.	— *a* 2½ pr.
New Hampshire	¼ *a* — dis.	— *a* 2½ pr.
Vermont	¼ *a* — dis.	— *a* 2½ pr.
Massachusetts	¼ *a* ⅜ dis.	— *a* 2½ pr.
Rhode Island	½ *a* — dis.	— *a* 2½ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 2½ pr.
New York City	Standard.	3 *a* — pr.
New York State	⅜ & ¾ *a*—dis.	3 *a* — pr.
East Jersey	⅜ *a* — dis.	3 pr.
West Jersey	3¼ *a* — dis.	Par *a* 1 dis.
Philadelphia	3¼ *a* — dis.	Standard.
Pennsylvania, East	3¼ & 5 *a*—dis.	Par *a* ¾ dis.
" West	4 & 5 *a*—dis.	Par.
Delaware	3¼ *a* — dis.	Par.
Baltimore	3 *a* — dis.	Par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	½ dis.
Virginia	4 *a* 4¼ dis.	½ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	4½ *a* — dis.	2 dis.
South Carolina	2 & 3½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	10 *a* 40 dis.
Alabama	12 *a* — dis.	8 *a* — dis.
Louisiana	8 *a* — dis.	— *a* 4½ dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	8 *a* — dis.
Kentucky	— *a* 9½ dis.	6 *a* — dis.
Missouri		5 dis.
Illinois	10½ *a* — dis.	8 *a* — dis.
Indiana	9½ *a* — dis.	7 *a* — dis.
Ohio	— *a* 9½ dis.	4 *a* 8 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	3 *a* — pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.00 *a* 16.25	16.30 *a* 16.40
Patriot Doubloons	15.60 *a* 15 70	15.90 *a* 16.00
Spanish Dollars	3 *a* — pr.	4 *a* — pr.
Mexican Dollars	¼ *a* ⅜ pr.	3 *a* — pr.
Five Franc Pieces	94 *a* 94½ cents	95 *a* 96
Half Dollars	Par *a* — pr.	2¼ *a* — pr.
BILLS OF EXCHANGE ON		
London	7¾ *a* 8¼ pr.	10½ *a* 11½ pr.
France	5.28¾ *a* 5.27½	5.10 *a* 5.15
Holland	39½ *a* 39⅝	41 *a* —
Hamburg	35½ *a* 35⅝	37 *a* —
Bremen	76¾ *a* 77	79½ *a* 79¾
Boston	Par *a* ⅛ pr.	3 *a* 3⅛ pr.
New York		3⅛ *a* 3¼ pr.
Philadelphia	3 *a* 3¼ dis.	
Baltimore	2¼ *a* 2½ dis.	½ *a* ¾ pr.
Richmond	3½ *a* 3¾ dis.	1 *a* — dis.
North Carolina	3¾ *a* 4 dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 2 pr.
Savannah	3¼ *a* 3½ dis.	½ *a* — dis.
Augusta	6 *a* 15 dis.	
Columbus	14 *a* 15 dis.	
Macon	15 *a* 20 dis.	
Mobile	10 *a* 10¼ dis.	7 *a* — dis.
New Orleans	6 *a* 6¼ dis.	4 *a* — dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	12 *a* — dis.	8 *a* — dis.
St. Louis	8¼ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	7 *a* — dis.
Cincinnati	8¼ *a* 8½ dis.	— *a* 6 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	8½ *a* 12½	11 *a* 13½
Mobile	8½ *a* 12½	10½ *a* 14
Upland	8¼ *a* 10¾	9½ *a* 12½
Flour, Western Canal, per bbl.	5.50 *a* —	
Philadelphia	—— *a* 5.25	5.25 *a* 5.50
Rye Flour	—— *a* 3.25	— *a* 3.25
Indian Meal	3.00 *a* 3.12½	2.75 *a* 3.00
Grain—Wheat, per bush	1.25 *a* 1.27½	1.07 *a* 1.19
Rye	62½ *a* —	55 *a* 62
Corn	65 *a* 69	58 *a* 65
Oats	40 *a* 46	39 *a* 41
Iron, Amer., Pig, No. 1, per ton	32.00 *a* 33.00	— *a* 32 00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4 *a* —	4½ *a* 4¾
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	3½ *a* 6	
Kentucky	4½ *a* 10	4 *a* 10
Wool, American, Merino, per lb.	42 *a* 45	38 *a* 40
Common	25 *a* 30	25 *a* 28
Whiskey, Rye, per gal	21½ *a* 22½	21 *a* 22
Provisions, Mess Beef, per bbl.	9.50 *a* 10.00	10.00 *a* 10.50
Mess Pork, per bbl.	10.75 *a* 11.50	10.50 *a* 11.00
Hams, per lb.	5 *a* 8	5¾ *a* 9
Lard, per lb.	6½ *a* 7½	6 *a* 8
Cheese, per lb.	5¾ *a* 6½	7 *a* —
Rice, per lb.	3½ *a* —	3½ *a* 4

Philadelphia, Saturday, July 17th, 1841.

NOTES.

The *dis.* stands for discount; *pr.* for premium; *a* is an abbreviation of the Latin *ad*, to.

The notes of the following banks were at a greater or less discount in New York than is stated in the table.

Maine. Agricultural Bank, Brewer, 2 *d.*; Banks of Westbrook and Calais, and Commercial and Mercantile Banks of Bangor, 10 *d.*; Lafayette and St. Croix Bank, 20 *d.*; City Bank of Portland, 25 *d.*; Georgia Lumber Co., 50 *d.*; Frankfort Bank, 80 *d.*; Bank of Oldtown, broken; Bank of Bangor, closed; Still-Water Canal, Washington County Bank, and Citizen's B., Augusta, — *a* — *d.*

New Hampshire. Concord B., 25 *d.*; Wolfborough, no sale.

Vermont. Banks of St. Alban's and Bennington, 1 *d.*

Massachusetts. Fulton B., — *a* — *d.*; Middlesex, Middling Interest, and Newburyport Banks, — *a* — *d.*

Rhode Island. Scituate, 50 *a* — *d.*

Connecticut. Meriden and Stamford Banks, *par.*

New York. Banks of Brooklyn, B. of Newburg, B. of Kinderhook, B. of Poughkeepsie, Farmers and Manufacturers, of Poughkeepsie, Catskill B., Dutchess Co. B., Farmers and Drovers B., Somers, Farmers B. of Hudson, Farmers B. of Troy, Highland B., Kingston B., Powell B. at Newburg, Farmers B. at Catskill, Ulster Co. B., and Westchester Co. B., all at *par.*

Millers B. at Clyde, 10 *a* — *d.*; James B., at Jamesville, 20 *a* 25 *d.*; Farmers B. of Seneca Co., B. of Lodi, Binghampton B., and Cattaraugus Co. B., each from 25 to 30 discount. The notes of the Banks of Buffalo (red backs) are also at from 25 to 30 discount, with the exception of those of the State B. of N. Y., which are only at ¾ *d.*; Tonawanda B. 50 *a* — *d.*

East Jersey. Farmers Bank, at Middletown Point, under $10, 1 *a* — *d.*; Morris Canal, 1 *a* — *d.*; Farmers and Mechanics, New Brunswick, 50 *a* — *d.*

West Jersey. Trenton Banking Co., $5 and over, *par*; under $5, 3¼ *a* — *d.*

Pennsylvania. U. S. Bank, 20 *a* 23 *d.*; Farmers and Drovers, and Monongahela B., 8 *a* — *d.*; Erie, 10 *a* 15 *d.*

Maryland. Franklin B., and Mineral B., — *a* — *d.*

At Philadelphia, the following banks were at a greater or less discount than is stated in the table.

Pennsylvania. U. S. Bank, — *a* 18 *d.*; Schuylkill Bank, 3 premium; Farmers and Drovers of Waynesburg, and Franklin of Washington, 2½ *d.*; Taylorsville Delaware Bridge Co., 5 *d.*; Bank of Erie, 8 *d.*

Georgia. Banks in Savannah, 1 *a* — *d.*; in Augusta, 2 *a* — *d.*; Columbus, 12; Darien 40.

At Philadelphia, notes of the Wiskonsan banks 5 and 6 *d.*; and those of the State Bank of Arkansas, at Little Rock, 25 *d.*

Our authorities are the New York Shipping and Commercial List, and the Philadelphia Commercial List and Price Current. Both of them give the names of only the principal banks in the more distant States.

THE STATE OF TRADE.

Business is dull in both New York and Philadelphia, but not more so than is usual at this season of the year. This is, with many of our business men, the season for relaxation. They have gone to watering places, or dispersed themselves through the country, "a happiness hunting." We sincerely hope they may find that happiness they are so much in need of.

THE MONEY MARKET.

The Money Market is what is called *easy* in both New York and Philadelphia, by which is meant that Bank Presidents, Bank Cashiers, Bank Directors, and others whose credit is good in bank, find no difficulty in complying with their engagements. With many others the money market is *hard* enough, especially with those journeymen mechanics, who, though nominally on full wages, receive but one-half; and with respectable widows who are glad to find work at 18¾ cents a day.

THE STOCK MARKET.

Stocks of all kinds are dull sale. United States Bank Stock, which only three years ago brought 120 dollars a share in *specie*, now sells for 18 in Philadelphia paper currency.

In New York, the shares of the North American Trust Company, which formerly sold at 98 and at 100 dollars, are now to be bought for seven. This is one of what are called "the free banks." Its charter, if it may be so termed, is for 493 years, and it has the privilege of increasing its capital to one hundred million dollars!

In State stocks there is little doing. There were, indeed, some small sales of Indiana fives at New York, on Saturday last, at 56 and 57. More of this in our next.

☞ SUBSCRIPTIONS for this Journal will be received, in PHILADELPHIA, by the editor, No. 302 Race street. — *Mr. G. B. Zieber*, newsvender, corner of Third and Dock streets. — *Mr. C. Colon*, newsvender, Chesnut street, adjoining the Arcade, east side. — N. YORK, *Mr. W. Hayward*, bookseller, 89 Division street. — BALTIMORE, *Mr. W. Taylor*, newsvender, North street.

CHAPTER II.

Of Real Money.

PAPER money is the foundation of the American Banking System. But before giving a particular account of this factitious money, it will be necessary to give a statement of the qualities and functions of real money. Without a knowledge of what is genuine, it is impossible to have a clear conception of what is spurious.

Money is not, as was asserted by a late Secretary of the Treasury, (Mr. Ingham,) "merely the representative of property."—Money of gold and silver *is* property—is *wealth*. A hundred dollars in silver can no more be considered as the representative of a hundred dollars' worth of flour, than a hundred dollars worth of flour can be considered as the representative of a hundred dollars' worth of iron. Each is the *equivalent* of the other; but each is *real* wealth—not a mere symbol or representative.

But money is not, as is supposed by some others, superior in its nature to all other kinds of wealth. The precious metals do not differ *essentially* from other items of wealth. This is distinctly seen when they are in the form of bullion. Converting them into coin, does not change their nature. It only adapts them to a particular use—fits them for passing from hand to hand, without the trouble of weighing and assaying each piece at each transfer. An increase of the stock of gold and silver in our country is very desirable; but it is for precisely the same reasons that an increase of other kinds of wealth is desirable.

Some fancy that it is the authority of government that gives money its value. But the true value of money, as measured by the amount of goods for which it will honestly exchange, cannot be affected by edicts of princes or acts of parliament. Monarchs and ministers may alter the weight of coins, or lessen their purity; but they cannot make a coin containing one-half of an ounce of pure silver, worth as much as a coin containing an ounce. The stamp of the State is a mere certificate of the weight and fineness of the piece.

Others suppose that the precious metals owe their value entirely to their *scarcity*.—But if gold and silver were not useful in the arts, they would have no value in commerce. Their utility is so great, that even if they were not the material of money, they would exchange for great quantities of corn and other commodities. If they were as plentiful as copper and tin, they would be more valuable than these base metals; because they are applicable to more various uses. The market value of the precious metals is, like that of all other things, *in the compound ratio of their utility and of their scarcity*. It does not depend on their scarcity alone.

Money is simply that valuable article, by reference to which the value of other things is estimated, and by the instrumentality of which the interchange of other things is effected. There is nothing mystical in its nature; nor is it likely that its character would ever have been misunderstood in the United States, if the avoirdupois ounce of silver had been made the unit of reference, and if coins had been struck of the weight of an ounce, and of equal parts of the ounce. Men would then have had as clear conceptions of the nature of the transactions into which money enters, as they now have of those in which iron is exchanged for wheat. They would then have seen that there is no essential difference in these transactions—that trade by barter, is exchanging wheat for one metal, and that trade with money, is only exchanging wheat for another metal. It has been by taking for the unit of reference a fractional part of the troy ounce, which is a weight with which the people are not familiar, and by giving to this unit the arbitrary name of "a dollar," that the subject has been rendered obscure to many minds.

Almost any valuable article might be made the object with which other valuable articles might be compared. Instead of saying, this tract of land, or this bale of cloth, is worth so many ounces, or so many pieces of silver, men might say it is worth so many horses or cows, or so many pounds of lead or of iron. The *principle* of valuation would be identical with that which is adhered to in countries where only solid money is used. But he who had a small article to sell, would find it difficult to calculate its exact value in the *fractional* parts of a horse or a cow, and pounds of lead or of iron would be a very inconvenient circulating medium.

Corn, cattle, iron, leather, cocoa, shells, tobacco, and other commodities, have all, in point of fact, been used as money, in different ages and different countries; but they have long ceased to be so used, by commercial nations, for reasons similar to those which have induced men to choose for their standard of length, some object less liable to va-

riation than the foot of a chancellor, or the fore-arm of a king.

The high estimation in which the precious metals have been held, in nearly all ages and all regions, is evidence that they must possess something more than merely ideal value. It is not from the mere vagaries of fancy, that they are equally prized by the Laplander and the Siamese. It was not from compliance with any preconceived theories of philosophers or statesmen, that they were, for many thousand years, in all commercial countries, the exclusive circulating medium. Men chose gold and silver for the material for money, for reasons similar to those which induced them to choose wool, flax, silk, and cotton, for materials for clothing, and stone, brick, and timber, for materials for building. They found the precious metals had those *specific* qualities, which fitted them to be standards and measures of value, and to serve, when in the shape of coin, the purposes of a circulating medium. To this use they are admirably adapted:

1. Because they are divisible into extremely minute portions, and capable of reunion without any sensible loss of weight or value; so that the quantity may be easily apportioned to the value of the articles of purchase.*

2. They have a sameness of value all over the world. The difference between iron from different parts of our own country and of Europe, is well known to all dealers in that article. The copper of Siberia is superior to that of Germany, while that of Sweden is better than that of Siberia, and that of Japan surpasses that of Sweden. But, one grain of pure gold is exactly similar to another, whether it comes from the mines of Europe or of America, or from the sands of Africa. Time, weather, and damp, have no power to alter the quality; the relative weight of any specific portion, therefore, determines its relative quantity and value to every other portion; two grains of gold are worth exactly twice as much as one.

3. Gold and silver, especially with the mixture of alloy that they admit of, are hard enough to resist very considerable friction, and are therefore fitted for rapid circulation.

4. Their rarity and consequent dearness are not so great, that the quantity of gold or of silver, equivalent to the generality of goods, is too minute for ordinary perception; nor, on the other hand, are they so abundant and cheap, as to make a large value amount to a great weight.

5. They are capable of receiving a stamp or impression, certifying the weight of the piece, and the degree of its purity.

6. They are liable to less variation than any other article, from changes in the relation of supply and demand, including the cost of production among the conditions of supply.

By the discovery of America, the supply from the mines was increased tenfold, but as there was at the same time an increase of demand, owing to the increase of other kinds of wealth, the rise of prices from 1520 to 1620, was only fourfold. An opinion prevailed about fifty years ago, that the value of silver had been gradually declining from the year 1620, but Adam Smith, after careful inquiry into the facts, came to the conclusion that the opinion was unfounded; and Jean Baptist Say, the celebrated French economist, is of the belief that there has been hardly any variation in the value of silver in the last two centuries.

During the eight years preceding 1819, the supply from the mines is supposed to have fallen short one-half, owing to the troubles in South America. Such a diminution in the supply of any other article, would have made a great alteration in its value; but the annual product of the mines is so small in proportion to the whole quantity of the precious metals in the market of the world, that it requires very nice calculations to show that their value has been affected by this falling short of the supply.

According to the estimate of Mr. Gallatin, the stock of the precious metals on hand, in Europe and America, is between four and five thousand millions. From 1803 to 1809, when the mines are believed to have been most productive, the annual supply was fifty millions. In the last twenty years, it is said to have been but twenty-seven millions. But when the annual supply was most abundant, it was only in the proportion of one and a quarter per cent. to the stock on hand, and when it was lowest it had fallen only to three-fifths of one per cent. The ordinary supply of gold and silver does not exceed one hundredth part of the stock on hand, while the annual supply of agricultural products always exceeds, and that of manufactures often equals, the stock on hand.

The demand for the precious metals may be measured by the whole amount of other commodities in the market of the world, and the whole amount of labor. In this, but little variation can take place from year to year, or even in a series of years. There may be a glut of corn, cloth, cotton, or other mer-

* See Say, Book I. Chap. xxi., Section 2.

chandise. More of these articles may be produced than can be consumed, at a particular time or place: but there is never a glut of gold or of silver. The demand for these metals is universal and incessant. We do, indeed, say that "money is scarce, or money is plenty," but what we mean thereby is, that *loanable capital* is scarce or abundant. With the great body of men, money, and the material of which it is composed, are always scarce; and must continue scarce, as long as they want those things which money can procure.

From the durability of silver, and its other physical properties, from the steadiness and universality of the demand for it, and from the small proportion the annual supply bears to the stock on hand, it appears to unite all the qualities that can *reasonably* be desired in a commercial standard of value.

If it is not, as has been asserted by some, "an absolutely perfect and altogether permanent standard of value," it in this respect resembles our standard measure of length.—Even a platina rod is affected by changes of temperature. All things here below are in a state of mutation. The very figure of our earth is changing; and an arc of the meridian will not, in the cycles of futurity, be of precisely the same length that it was when measured by the French academicians.

It is true, our standard of value is liable to be affected by more causes than our standard of length. But we can calculate the force of these causes, and construct tables showing the effective power of money in exchanges in different ages. Such tables have been published by Sir George Shuckford Evelyn, in the Philosophical Transactions, by the Rev. Arthur Young, in one of his treatises, and by Admiral Rainer, as an accompaniment of his valuable charts of fluctuations in the price of corn. The difficulty of showing the effective power of money in remote periods, is not owing to any inherent defect in the material of which it is composed: but owing to the chroniclers of ancient times not having recorded a sufficient number of facts for the satisfaction of modern inquirers.

In solving problems in political economy, it is necessary sometimes to use labor as a measure of value, sometimes corn, and sometimes other commodities. So, to measure heights, we sometimes use the foot rule, sometimes the barometer, and sometimes the theodolite. But as, whatever instruments they may use, men find it convenient to express their mensuration of height in feet and inches, their fractional parts and multiples, so, whatever measure of value writers may adopt, they seldom find it convenient to proceed far in their calculation, without reducing their expressions of value into the common money of account.

In no way can so clear a conception of the wealth of a man in a distant time or place be so easily acquired, as by a comparison of his income in money with the money price of labor and commodities at the same time and place.

Those who object to silver as an imperfect standard of value, appear to have fixed their minds on our common measures of length, and finding in them some qualities which silver does not possess, have hastily concluded that, as a standard of value, it is more imperfect than it really is. But, as value and length are *essentially* different, we must expect to find the standard and measures of the one essentially different from those of the other. The causes of variation must also be different, and the extent of variation must be different. The analogy between the standards and measures of different things, cannot be greater than the analogy between the things themselves. Value and length agree only in this—that each admits of increase and decrease by homogeneous degrees, whence it is that each is mensurable by like quantities.

If the reader will not suffer his mind to dwell exclusively on measures of length, but extend his thoughts to measures of duration, of heat, and of atmospheric pressure, he will probably be convinced that the common measures of value are not more defective than the common measures of time, temperature, and gravity.

To talk of *absolute* value is as absurd as to talk of absolute distance. As the distance of the earth from the sun increases as it passes from its perihelion to its aphelion, the distance from the sun to the earth must increase also.

As the value of other things falls, that of gold and silver rises. If the mercury in the thermometer did not rise as the heat increases, we should not be able, by that instrument, to measure degrees of temperature. If the mercury in the barometer did not fall, as we ascend mountains, we should not be able, by that instrument, to measure heights.

For an *absolute* standard of value, we should have to find something, the cost of production of which should be the same at all times, and in all places, and the demand and supply of which should never vary in the smallest degree. It is impossible even to

fancy such a thing. It would be as reasonable to wish for a pendulum which should beat seconds in all latitudes, and in all elevations.

The effective power of money is much greater in some countries, and some ages, than in others. But we do not complain of our common measures of weight as imperfect, because ponderous bodies weigh more when on a level with the sea, than when on the tops of the highest mountains.

To object to the precious metals, on account of their being affected by the cost of production, and by the relations of supply and demand, is to object to them on account of the very things that fit them for standards and measures of value. If the causes of their value were not similar to the causes of the value of other items of wealth, and if they were not liable to be affected by the same causes of variation, they could not serve as a material for money. There must be some homogeneousness in the measure and the thing to be measured.

An ounce of pure silver is a quantity which never changes. We may make this our standard of value—our unit of reference in estimating other things. It is our own fault, if we afterwards vary this standard.

In many minds the notions of *value* and *utility* appear to be confounded. But the two things are distinct, though frequently conjoined. A fine lady, and a merchant of the society of Friends have very different views of the utility of diamonds; but if the merchant has diamonds for sale, the creed of his church does not induce him to value them at less than the fine lady is able and willing to give. The value of commodities is in proportion to their adaptation to the wants and wishes of mankind, rational or irrational, and to the facility or the difficulty with which those wants and wishes can be gratified.

With others, *value* and *wealth* appear to be synonymous terms. But the various items that constitute wealth are positive in their nature. They are all those things that conduce to the gratification of human wants and desires, and which may be estimated by reference to a given standard—all those things which may be bought and sold, or estimated at a price. The word *value* is used to denote certain relations among these items. It always implies comparison of two or more objects. In its strict sense, it denotes the effective power of things in exchanges; but it is, without impropriety, sometimes used to designate that property in things which makes them effective in exchanges, and sometimes to signify the judgment the mind forms of different things, on a consideration of their effective power in exchanges. All these meanings of the word are closely connected.

Various views may be taken of value; but in whatever light it may be regarded, we shall find gold and silver money the most convenient instruments of valuation, though certainly not the *only* ones it is expedient to employ. The political economist, to determine the natural value of things, may compute their cost of production in days' labor and capital; but he will find it very difficult to estimate accurately these elements of production, except by the instrumentality of money. If he cannot bring his calculations into the common money of account, his labor will be of very little use to the practical man, for the effective power of things in exchanges is always estimated in this way, and it is the relation the natural value bears to the market value, that induces the enterprising to incur the toil and expense of production.

In countries in which paper money is unknown, the common standards and measures of value appear to approach as near theoretic perfection, as the common standards of weight, length, or capacity. The standard of reference has no variation, except such as necessarily arises from the nature of value. The measures are composed of the same material as the standard.

The calculations necessary to show the effective power of money in different countries, and different ages, may not unaptly be compared to those which show the length of pendulums to beat seconds in different latitudes; or to those which show the loss of weight ponderous bodies sustain on being carried to different elevations above the surface of the sea.

In all such countries, the people suffer no more practical inconvenience from the want of any theoretic perfection philosophers may discover, or may fancy they discover, in the common measures of value, than from similar imperfections in the common measures of time and weight.

Where metallic money is exclusively used, the value of land, of labor, and of all commodities, great and small, can be determined with great accuracy. If, in such countries, the trade between different men is not always an interchange of equivalents, the fault is not in the instrument of valuation, but in those who use it.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, August 4, 1841. No. 3.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—

PHILADELPHIA—By the Editor, No. 302 Race street.

Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.

Mr. C. COLON, *News-vender*, Chesnut street, adjoining the Arcade, east side.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

AGENCIES.

Several respectable men have applied to us to appoint them travelling agents for this Journal; and gentlemen residing in different places have suggested to us the propriety of appointing agents in their respective cities.

We have as yet appointed none, for the following reasons:—

A publication of this description must depend on a very diffusive circulation for its support, one subscriber at one Post Office, two at another, three or four at another. It is necessary to adopt some general rule. If we were to attempt to appoint agents all the country over, we must of necessity appoint many of whom we could know nothing. It is far better that the Post Master, or some other person known to the citizens of each place, where there is a disposition to support this Journal, should constitute himself agent for his neighbours, or that the subscribers should "club together," and appoint one of their own number their agent to make remittances.

We can supply any person who wishes to constitute himself either travelling or resident agent, with copies of the first three numbers of the Journal, as specimens. On his remitting the money, we will promptly cause the back numbers to be forwarded as he may direct, and the forthcoming as fast as they are issued.

NEWS-VENDERS.

In England, the publishers of newspapers and other periodicals do not, generally speaking, receive subscriptions. Their numbers are disposed of, as fast as they are issued, for cash, to stationers and news-venders, and these have their customers, whom they regularly supply.

To a certain extent this mode of doing business has, within a few years, been adopted in this country. In Philadelphia, it is, in fact, quite a considerable, and a growing business. Those engaged in it, are not constituted agents by publishers, but constitute themselves agents.

We subjoin a list embracing a part of the news-venders. The names have been given us by gentlemen extensively engaged in the publication of newspapers and other periodicals, and who state that they have always found them punctual in making remittances.

Boston—Geo. W. Redding.
Worcester, Mass.—Simon Thompson.
Providence, R. I.—John Green.
Newport, R. I.—Charles B. Weaver.
New Haven, Conn.—D. C. Mitchell.
Middletown, Conn.—Saml. Dickinson.
Norwich, Conn.—Morgan Safford.
Rochester, N. Y.—L. Moore.
Syracuse, N. Y.—James Robertson.
Utica, N. Y.—J. B. Loak.
Poughkeepsie, N. Y.—Levi Smith.
Newburg, N. Y.—M. Maguire.
Hudson, N. Y.—George Clare.
Troy, N. Y.—Levi Willard.
Albany, N. Y.—J. S. Barbour.
Newark, N. J.—D. Smith.
Elizabethtown, N. J.—Samuel Crane.
Rahway, N. J.—T. Page.
Philadelphia—G. B. Zieber, corner of Dock and Third streets.
C. Colon, Chesnut street, adjoining the Arcade, east side.
Harrisburg, Pa.—Daniel Robinson.
Wilmington, Del.—Radcliff Chadwick.
Baltimore—W. Taylor, North street.
Washington—A. R. Jenkins, Pennsylvania Avenue, north side, near the Native American Hotel.
Charleston, S. C.—Amos Head.
Mobile, Ala.—J. F. Curns.
New Orleans—J. F. Curns & Co.
St. Louis, Miss.—R. J. Woodward.
Louisville, Ky.—W. N. Haldeman.
Cincinnati, Ohio—C. Tobey.
Pittsburg, Pa.—R. S. Berford.

And there must be many more of whom we have not heard.

No doubt any of these gentlemen would receive subscriptions for this Journal, if enough persons in any of the places above mentioned, come forward as subscribers, to make it an object. *It is their business* to supply their customers, not with our Journal especially, but with our Journal and any other newspaper, or other periodical, their customers may want.

Several of them, as Mr. Zieber and Mr. Colon, of this city; Mr. Taylor, of Baltimore; and Mr. Hayward, stationer, of New York, have already *constituted themselves* agents for this Journal, and receive subscriptions by the year, or sell single numbers. Any others who may want single numbers to retail, can be supplied at the wholesale price of twenty-six for one dollar.

It would be well if this business were introduced into other towns, though in many it would be worth following only as auxiliary to some other pursuit.

In small places, the Post Master has great advantages over other persons as agent for newspapers and other periodicals. Many of the Post Masters would add considerably to the obligations their neighbours are already under to them, by constituting themselves agents, we do not mean for our Journal only, but for any periodical their neighbours may desire to have.

THE TIMES IN INDIANA.

The following, which appeared originally in the Greencastle (Indiana) Visitor, has been transferred thence to the Wabash Courier, and thence to the Sentinel, published at Evansville, Indiana, whence it finds its way into our own columns.

Hard Times.—We do not know how it is with our neighbours of other States, but we can assure them that money is very scarce in this part of the Hoosier land. It is often impossible to procure money of some of our most solvent and worthy farmers, though they are involved but little.

Disappointments on the part of others frequently compel them to give up property for the satisfaction of claims against them, but it will not sell at any price. The truth is, almost every person is in debt, and none have money to spare in the purchase of property. Those who sue for the amount coming to them, do it through sheer necessity, as they are owing money themselves; and if they should purchase the property executed in their favor, they would be no better able to pay what they owe. The Legislature of last winter provided that real estate should not sell under execution, unless it could be sold for one half of its appraised value. The same law includes certain articles of personal property. Officers are daily returning executions, "*no bidders*," "*no sale for want of bidders*," *&c.* In some instances, small tracts of land have been taken under execution, as often as three or four times, and no sale effected, and the cost which accrued, amounts to nearly half of the appraised value of the property executed.

It appears that a partial suspension of business is the only means of relief to the people, and we must confess that such would be poor relief.

On reading this, one might be tempted to think that he had got hold of a passage in the history of the times that followed the great bank revulsion in 1818-19. "Often impossible to procure money from some of our most solvent farmers—almost every person in debt—property will not sell at any price—relief law by legislature—legal expenses amounting to nearly half the appraised value of the property levied on."

But so it is. Like causes will and must produce like effects. Under our paper money system, prices are very frequently lower than they would be under a hard money system, and this is exactly the condition of things at present in Indiana, and many other parts of the western country. Under a sound money system, it would be *impossible* for lands as fertile as those of the west not to find, at any time, a ready sale at a fair price.

APPLETON ON CURRENCY.

Mr. Nathan Appleton, of Boston, formerly President of the Branch of the United States Bank in that city, has lately issued a pamphlet of 73 pages, which contains many valuable remarks, though we cannot endorse the whole of its contents. From it we extract the following passage, showing the manner in which the notes of nearly all the New England banks, (and they are more than 300 in number,) are kept at par throughout that region. In the same way, the notes of the banks of the other great divisions of the country might be kept at par within their respective districts.

The Suffolk Bank System.

The place where a bank note is payable is of the utmost importance in order to secure its general circulation at par with specie. That place must be the commercial centre of the district through which it is to circulate.

The constant demand for remittances to this central point, will give to bank notes payable there, a constant equality with or preference over specie, through all the region drawing their supplies from that centre. Thus, a bank note payable in Boston, will have a natural circulation through all that part of New England drawing their supplies from thence; but the moment the line is passed into the district drawing their supplies from New York, bank notes payable in that city can alone supply a pure circulation, and so of the other great cities. Large towns or cities in the interior have a certain limited circle of their own, but for general circulation bank notes must be payable in the great commercial cities.

The currency of depreciated paper, issued by banks paying specie, is owing to a departure from correct principles in this particular. The bank note is not payable at the *place* where the money is wanted. Previous to 1824, the currency of Boston and New England consisted mostly of country bank notes, subject to a discount varying at different times, but generally about one per cent. In 1824, what is called the Suffolk bank system, was adopted, by which the bills of all

New England banks are virtually redeemable in Boston at par. The system is this: Certain banks in Boston have contributed a sum agreed on, to a common fund, and in consideration of the use of that fund, one of them, the Suffolk, undertakes to receive all bills of New England banks as cash, and collect them from the country banks. The mode of doing it is as follows: The country banks are invited to keep a fund in deposit at the Suffolk bank for the redemption of their bills. If they decline, the bills are sent home for payment, in which case nothing but a legal payment in coin will be received. The trouble attending this mode of payment, soon induces the bank to yield to its true interest and keep up the deposit, since it can, by doing so, keep a larger amount of bills in circulation than it would otherwise be safe to attempt. Under this system the whole currency, centering at Boston, is convertible at pleasure into legal coin without any loss whatever—a state of things which does not probably exist in any other considerable city.

By a mode of proceeding founded on similar principles, the paper issues of the numerous banks of Scotland are all kept at par. The banks have their agents at Edinburg, by whom a settlement of balances is effected twice in every week. This is the true way of regulating paper currency and paper exchanges. Attempting to regulate them by means of a National Bank, is, as Dr. Primrose's friend, Mr. Birchell, would say, "all *fudge*."

We copy some of Mr. Appleton's remarks on the subject of

Domestic Exchange.

Another argument much dwelt on in favor of a large national bank, is its necessity to equalize the exchanges. There is not much in this. There is no difficulty with the exchanges where the banks pay specie. There lies the whole difficulty. Let that be reformed, and there will be no complaint on that score.* The exchanges soon regulate themselves where the currency is uniform, as is the legal currency of the United States. A large bank, with many branches, can manage the exchanges with *more profit to itself*, perhaps, than the local banks can do. The late United States Bank took care to charge the highest rates for exchange which the alternative of transporting specie would admit. For several years the exchange at New Orleans on northern bills was kept so high, that considerable shipments of specie were made from Boston and New York for the purchase of cotton. The change in our laws, which has made gold the basis of our currency, will have a most salutary effect in lessening the rates of exchange, whenever the banks resume their proper functions. The effect is already quite apparent on the exchanges between Boston and New York. Gold is constantly transported from one city to the other before the exchange can rise to a quarter of one per cent., which is consequently the maximum rate. When the banks paid out silver, transportation would hardly be attempted with an exchange below one per cent.

Mr. Appleton's position, as President of a branch of the United States Bank, must have afforded him the best opportunities for ascertaining what effect the operations of that institution had in the regulation of exchanges. It may not be amiss to add, that he was member of Congress from Boston in the year 1832, and as such voted for the re-charter of the United States Bank. He cannot, therefore, be regarded as under the influence of prejudice against that or a similar institution.

GOLD AND SILVER.

An old merchant of this city has told us that he never could be convinced that there were gold and silver enough in the world, to serve the purposes of money, till he met with Mr. Gallatin's statement of the quantity of the precious metals consumed in plate and jewelry. As Mr. Gallatin's remarks, on this point, have had this happy effect on one merchant, we copy them at length, hoping they will have a like effect on others. They embrace, in a condensed space, many important statistical facts.

"The total amount of gold and silver produced by the mines of America, to the year 1803, inclusively, and remaining there or exported to Europe, has been estimated by Humboldt at about five thousand six hundred millions of dollars; and the product of the years 1804—1830, may be estimated at seven hundred and fifty millions. If to this we add one hundred millions, the nearly ascertained product to this time of the mines of Siberia, about four hundred and fifty millions for the African gold dust, and for the product of the mines of Europe, (which yielded about three millions a year in the beginning of this century,) from the discovery of America to this day, and three hundred millions for the amount existing in Europe prior to the discovery of America, we find a total not widely differing from the fact, of seven thousand two hundred millions of dollars. It is much more difficult to ascertain the amount which now remains in Europe and America together. The loss by friction and accidents might be estimated, and researches made respecting the total amount which has been exported to countries beyond the Cape of Good Hope; but that which has been actually consumed in gilding, plated ware, and other manufactures of the same character, cannot be correctly ascertained. From the imperfect data within our reach, it may, we think, be affirmed, that the amount still existing in Europe and America certainly exceeds four thousand, and most probably falls short of five thousand millions of dollars. Of the medium, or four thousand five hundred millions, which we have assumed, it appears that from ⅓ to 2-5 is used as currency, and that the residue consists of plate, jewels, and other manufactured articles. It is known, that of the gross amount of seven thousand two hundred millions of dollars, about 1800 millions or ¼th of

the whole in value, and 1-48th in weight, consisted of gold. Of the four thousand five hundred millions, the presumed remaining amount in gold and silver, the proportion of gold is probably greater, on account of the exportation to India and China having been exclusively in silver, and of the greater care in preventing every possible waste in an article so valuable as gold.

Here it appears, that ten years ago, or when the treatise, entitled "Considerations on the Currency and Banking System of the United States," was written, *considerably less than one half* of the whole quantity of gold and silver in Europe and America, was in the form of money. The rest was in the form of plate and jewelry. It is not probable that any great alteration has taken place in these proportions. And why is it so? Bullion, when brought from the mines, is, generally speaking, first formed into coin. Why is so great an amount of this coin afterwards converted into plate and jewelry?

The reason is, simply, because in hard money countries they have a use for only a part of their stock of the precious metals in the form of money. A few dollars a head suffice for a standard of value, and a medium of exchange. In paper money countries, a great amount of specie is converted into plate and jewelry, because the demand for gold and silver as money, is diminished by the issue of notes.

BILLS OF EXCHANGE.

In the new preface to our "History and Inquiry," we have stated that, if we found it necessary to make any corrections of any moment in republishing it, due notice would be given to the reader. We make one correction to day, in the third chapter.

In the first edition, the fifth paragraph read as follows:

"Bills of exchange, where the practice is to pass them from hand to hand, may serve as a local commercial medium, though not a very convenient one, since it is necessary for the nice adjustment of transactions, to calculate the difference of the interest on each transfer."

Further inquiries, and conversations with a gentleman who once did an extensive business in Lancashire, England, have convinced us that bills of exchange, are, as a commercial medium, especially in large transactions, much more convenient than we once supposed them to be. Their extensive use in England, especially in the county of Lancashire, including the two populous and bustling towns of Liverpool and Manchester, is of itself sufficient evidence that they must possess many and great conveniences.

So convenient, indeed, were they found, that e private bankers of Lancashire, never issued notes of their own. The joint stock banks lately established in that county, issue notes, but this is because the issue produces a profit to themselves,—not because the old commercial medium was inconvenient to the merchants and manufacturers.

Some of these bills of exchange having but sixty days to run, have, by the time they come to maturity, as many as one hundred and twenty endorsements—thus proving that they have been used on an average, in more than two commercial transactions on each business day.

Our banking business in this country will never be brought right, till bank notes are entirely superseded by specie and *bona fide* bills of exchange, or till we shall have no bank notes, except such as shall be the *representatives* of specie actually in deposit, or of *bona fide* bills of exchange.

More on this subject hereafter.

BANK RETURNS.

BANKS OF NEW HAMPSHIRE, JUNE, 1840 AND 1841.

	June, 1840.	*June*, 1841.	*Incr.*	*Decr.*
Loans,	4,099,612	3,859,853	—	239,759
Specie,	193,359	194,311	952	—
Circulation,	1,088,750	1,229,708	140,958	—
Deposits,	420,800	429,532	8,752	—
Due from other Banks,	337,620	389,759	52,139	—

The Legislature of New Hampshire, at its last session, passed an act imposing limited responsibility on the stockholders in banks hereafter to be chartered.

BANK OF ENGLAND.

	May 25.	*June* 22.	*Decrease.*	*Incr.*
Securities,	21,817,000	21,601,000	216,000	——
Bullion,	4,921,000	5,098,000	——	177,000
Circulation,	16,615,000	16,632,000	——	17,000
Deposits,	7,242,000	7,218,000	24,000	——

The True Principles of Commercial Banking. We commence to-day the re-publication, from the original manuscript, of a dissertation under this title, which was communicated by us in May, 1838, to the Democratic Review. To it, the editor of that periodical prefixed a paragraph, which it is unnecessary to republish; and several other paragraphs will be omitted, as they refer to circumstances no longer existing. The rest of the dissertation is as applicable to the present times, as it could be if it had been written but yesterday. For convenience, we have divided it into sections, and we propose to add, from time to time, so many new sections as may be necessary to give a complete elucidation of "The True Principles of Commercial Banking."

The dissertation, at the time it appeared, was much commended by many commercial men, and others, who, from their position and previous studies, were well qualified to judge of its merits and defects. Among others, "though we say it who should not say it," a Director of the Bank of England was so pleased with it, that he sent to this country "for copies of *all* the writings of the author of the essay on the True Principles of Commercial Banking."

While on this subject, we will remark that many articles in the Democratic Review, which have been attributed to us, were from other pens. The articles in question have great merits; but we wish not to be dressed up in borrowed plumes.

THE TRUE PRINCIPLES OF COMMERCIAL BANKING.

SECTION I.

According to the most distinguished writers on this subject, commercial banks should, in making loans or discounts based on deposits and circulation, confine themselves to business paper having but a short time to run, and never grant an extension of such loans or discounts. As they express it, "the proper business of a bank is not to lend capital, but to lend credit"—not to furnish the trader with sufficient means to carry on his business independently of other resources, but simply to enable him to anticipate the proceeds of his sales, by making advances to him to supply the place of such portion of his own capital as he has parted with by selling on credit. Better terms might, perhaps, be selected: but we will not, on the present occasion, quarrel with terms. The meaning of those who use them is quite intelligible. If a bank discounts nothing but business paper, the notes it issues represent the notes it discounts, and the notes it discounts represent the commodities, or the value of the commodities, which the merchant has bought or sold. Let these commodities be flour, sugar, cotton, tobacco, or any thing else of which the Price Current makes mention, they form a fund by which the merchant may, in due season, pay the note discounted by the bank, and thereby enable the bank to redeem its issues.

So long as banks observe this rule, they cannot, according to this theory, make issues to excess; for the accommodations they grant are exactly adapted to the commercial business of the country, increasing as it increases, and diminishing as it diminishes. The exact proportion of currency to commodities is preserved, no matter what may be the fluctuations of commerce.

So long, moreover, as banks observe this rule, domestic exchanges cannot be thrown into confusion. If the trade between different parts of the country were reduced to mere barter, (both money and credit being excluded therefrom,) it is self-evident that exchanges would be regular, for no part of the country would part with commodities, except on receiving commodities of equal value in return. Equally regular would be the exchanges, if, instead of being carried on by mere barter of commodities, they should be carried on by the medium of paper, which should be the exact representative of the value of those commodities.

But let banks make issues to enable their customers to pay taxes, and they introduce disorder into both currency and exchanges. In such cases, their paper is not the representative of commodities, and no specific fund is provided for its redemption. The banks are accommodating, not the wants of commerce, but, in an indirect way, the wants of Government. The issues of the banks no longer adapt themselves to the trade of the country, expanding as it increases, and contracting as it diminishes: but expanding and contracting according to the demand for public revenue. The foundation is also laid for confusion in exchanges. While the banks restricted themselves to discounting business paper, the exchanges of commodities by different parts of the country afforded effectual means of equalizing the exchanges of bank notes, which were the mere representatives of the value of these commodities. But there are no commodities to represent bank notes issued for the payment of public revenue; and Government does not, in its disbursements, pay out bank notes in the places to which they would find their way in the natural course of trade, but, very probably, in the points directly opposite. It is hardly necessary to say that when Government receives bank notes in payment of public dues, bank notes will be issued to an amount sufficient to supply the demand. It matters not what particular form bank loans may then assume. It is plain that, in such cases, bank issues exceed what the commercial wants of the community require, and go to supply its wants for other objects.

If the banks issue notes for the purchase and improvement of real estate, they may disorder currency and exchanges as much as by issuing notes for the payment of taxes. In such cases, their notes are indeed the representatives of commodities, but not of commodities which can be advantageously sold in time to enable borrowers to repay what has been lent to them, and thus enable the banks to meet their engagements. In some parts of the country, the banks may be under the necessity of redeeming the aggregate amount of their issues once in three months, in others in a shorter, and in others in a longer period. But it would be but a poor "accommodation" to the purchaser of a cotton plantation in Mississippi, to be obliged to repay his loan before

he could carry his first crop to market; or the builder of a palace in New York to refund what he had borrowed, before his wife had had an opportunity of giving her first *soirée* in her splendid mansion. Yet if the banks of Mississippi *will*, in addition to making issues sufficient to circulate the annual produce of the soil, also make issues equal to the amount of real estate thrown into market, exchanges will be wofully against Mississippi. Part of these excessive issues will find their way to New York and Philadelphia, but the land cannot be exported in order to redeem them. The same remarks will, *mutatis mutandis*, apply to the New York banks, if they *will* make loans to people wherewithal to build palaces at New Brighton.

Here it is proper to enforce the remark that this strict rule applies only to the *credit* dealings of the banks, or to such of their operations as are based on their circulation and deposits. It is of little moment, in regard to the particular point which we are now considering, in what way what is called the *capital* of a bank is invested, provided that, in its credit dealings, it confines itself to discounting business paper having but a short time to run, and makes it an inflexible rule never to grant a renewal. The whole of the original capital of a bank may be lent to Government, as has been done by the Bank of England—or it may be invested in real estate—or in bonds and mortgages—or lent on accommodation notes of long date, renewable *for ever*—or it may be simply represented by the stock notes of the original subscribers. So long as the loans and discounts of a bank do not exceed the capital paid in, no evil is done, even if the whole be invested in stock notes. The danger commences in those operations which are based on deposits and circulation, and it is to these that our remarks especially refer.

—

Section II.

Particular cases will serve to elucidate the principles of commercial banking, and show the difference between it and other kinds of banking.

We shall suppose the reader to be acquainted with the mode in which, when banks are introduced into a country, their paper is made to supply the place of the specie previously in circulation: and we shall not stop to inquire whether the new distribution of capital thus effected is that which is most advantageous to the community, or precisely equitable in all its aspects. We will take the system as established, and select a single bank in the interior of Maryland to illustrate its operations.

A miller, at or near Hagerstown, has wheat offered to him by the neighboring farmers, say of the value of one thousand dollars. He has no cash on hand wherewith to make the purchase, but he has a note, bill, or acceptance, for 1000 dollars, given to him by a factor at Baltimore, to whom he had made his last consignment of flour. He has this note or bill discounted by the bank, and with the proceeds purchases the wheat. The farmers take the bank notes, pay them out to the mechanics and traders with whom they have dealings, and the notes, after having circulated for a time in the neighborhood of Hagerstown, at length reach Baltimore. They are, in all probability, carried to that city by the Hagerstown storekeepers, and exchanged for dry goods and groceries. The merchants of Baltimore deposit them in their banks, and the bank of Hagerstown thus becomes debtor to the banks of Baltimore, in the sum of 1000 dollars. But this is balanced by the note or bill of the flour factor for 1000 dollars, which the Hagerstown bank had sent on for collection. The trade between Hagerstown and Baltimore is an exchange of flour for dry goods and groceries, and the value of the same is expressed in the note of hand, or bill of exchange, given by the Baltimore flour factor, and in the bank notes issued at Hagerstown, which form together the medium of that trade.

This is what is called "simply making advances," or "affording facilities." The miller has a capital of his own, invested in flour at Baltimore. But he cannot use this in the purchase of wheat at his mill door. The farmers do not want flour, or if they do, he has it not at hand to supply them. But they want to make purchases from the storekeepers, and the circulating credit of the bank will answer their purposes. The bank has not lent capital to the miller, for it had none to lend, having previously invested in permanent securities all its original funds. It lends its *credit;* and it has a double security that the credit it lends will be sustained; first, in the flour at Baltimore of the value of which the bill or note of the factor is the representative; and secondly, in the wheat purchased by the miller, of the value of which the notes issued by the Hagerstown

Bank, are the representatives. This is throughout a business transaction, and it is in strict conformity with the principles of *commercial* banking.

But take another case. The miller wishes to make an addition to his mill, and for this purpose requires 5000 dollars. The bank lends him the amount on a note drawn by an obliging friend, and indorsed by himself. Here bank notes are issued, not as representatives of a value already existing, but of a value to be created by labor. Before that value can be created, that is, before the new mill can be brought to yield an income, the bank notes find their way, in the natural course of trade, to Baltimore. But there is no flour here now, as in the former case, to constitute a fund for the redemption of the notes. Even after the mill shall be completed, it cannot be transferred to Baltimore.

Suppose fifty operations of this kind to take place, and it is evident that the balance will be thrown greatly against Hagerstown. But a very few such operations would derange the course of exchanges. According to the theory of commercial banking, while banks discount all good business paper of short dates that is offered, and no other, the channels of circulation are exactly full. But it is plain that when a vessel is full, a very few drops in addition will cause the water to overflow. Let a bank have 10,000 dollars of specie in its vaults, and a circulation of 100,000 dollars, and suppose this to be exactly adapted to the business of the community. Then let it make an addition of but ten per cent. to its circulation. Inconsiderable as this addition may seem, it may be sufficient to drain the bank of all its specie.

Apply these principles to the banks in two more distant parts of our Union, say New York and Mississippi. The trade is much more round about than that between Hagerstown and Baltimore, but it is in reality founded on the same principles. Let us trace its regular course.

A merchant from Natchez repairs to New York, and purchases 100,000 dollars worth of goods, giving his notes or bills for the same. The New York merchant has these notes or bills discounted by a bank, and with the proceeds purchases bills of exchange on England, through which he either pays an old debt due in that country, or procures a fresh supply of foreign commodities. The Mississippi merchant carries these goods to Natchez, and there disposes of them to the neighboring planters, in expectation of being paid out of the growing crop of cotton. In due season he receives the cotton, and sends it to a factor at New Orleans. In the interval, the notes or bills he gave to the New York merchant have been sent to the Planter's Bank for collection. They are now due. He draws on the factor at New Orleans. The Planter's Bank discounts these drafts, and with what he thus receives, the Natchez merchant pays the notes or bills he gave to the New York jobber or importer. Here are still several accounts unsettled. The New Orleans factor is in debt to the Planter's Bank at Natchez, and the Planter's Bank is in debt to the Bank of America, at New York. But the factor has, in the cotton consigned to him, the means of paying his debt to the bank at Natchez, and thereby enabling the latter to pay what it owes to the bank at New York. The factor ships the cotton to Liverpool, and draws a bill of exchange on England, which bill he sells, and with the proceeds pays the New Orleans agent of the Planter's Bank, which agent we will suppose to be the Union Bank. The Bank of America, at New York, draws on the Planter's Bank at Natchez: the latter draws on the Union Bank of Louisiana in favor of the bank at New York: the Union Bank sends the foreign bill of exchange to New York: the Bank of America receives it there, and sells it to an importing merchant, who transmits it to Europe, perhaps in payment of the very dry goods he had a year before sold to the Mississippi merchant.

This may seem like a very complicated process of bill-drawing. But it is in reality a plain business transaction. The bills and drafts in all cases follow the course of the goods on which they are founded. The trade between Mississippi and England, is an exchange of cotton for dry goods and other products of British industry. Mississippi carries on this trade, chiefly through the two ports of New York and New Orleans. Through the former she makes her imports, through the latter her exports. All the notes given, and the drafts drawn, are but the representatives of the goods received or the cotton sent. The trade, so far as it is carried on in this country, commences at New York, where the importation was made; and to that city, in order to liquidate accounts, must the bill of exchange be sent which was founded on the exportation made at New Orleans. This bill is forwarded to Liverpool. About the time it reaches that city, the cotton on which it is founded arrives: and thus the accounts between England and the United States are adjusted.

UNITED STATES BANK.

We owe an apology to this institution for having in our previous numbers recorded what had specific relation to its affairs, under the humble head of "incidents." As no disrespect was thereby intended, we trust no offence has been taken. The history of this bank is so curious, and withal so instructive, that we must open a distinct account for it in our Bank Journal, or, if the reader prefers, our Bank Ledger. It will facilitate the summing up of accounts at the end of the year.

Mr. Samuel Jaudon, formerly Cashier of the bank, and more recently its agent in London, has returned from Europe. At a meeting of the Directors, he informed them, that the disposition of the stockholders and creditors in England, was, to do all in their power to resuscitate the bank.

A daily paper, believed to be among those most friendly to the bank, under its new management, states that suits are to be instituted against editors and others, for money lent to them, and which they supposed they had rendered an equivalent for by political and other services.

Mr. Wm. Ayres, a Director of the bank, residing at Harrisburg, (Penna.) has published a letter in which he protests against the institution of suits against the late officers. He thinks they will produce nothing but fees for lawyers, and revelations which will be injurious to the interests of the stockholders.

The Directors have, in a series of resolutions, made a reply to Mr. Ayres. They state that by these suits it is probable a considerable amount of money will be recovered, and that the fees to lawyers will be inconsiderable.

Mr. Jonathan Roberts, Collector of the Port of Philadelphia, and also director of the bank, has published a letter, similar in its general tenor to that of Mr. Ayres.

Since our last number was issued, the stock of the bank has fallen from $18, Philadelphia currency, to $17½. But, so very uncertain is the market, that it may rise again, before we can get our paper to press.

Mr. Cadwallader, the former Solicitor of the bank, who had a salary of seven thousand dollars per annum, has been dismissed; and Mr. Brooke employed in his place, at a salary of only two thousand dollars.

The internal affairs of the bank are said to be managed now with very great economy. We judge that they must be, for the bank has not yet sent in its subscription for our Journal. It would save money by enrolling itself in our list of subscribers: and so would every other bank in the country. The facts we shall tell them, and the doctrinal truths we shall teach, will be worth much more to them than one dollar fifty cents a year.

It is a SHAME for *any* bank to be without "THE JOURNAL OF BANKING." The Directors of each and every of our nine hundred banks, ought to meet immediately, and pass resolutions for supplying each of their own number, and each President and each Cashier, with one copy of the Journal. What has brought ruin on our banking institutions, but want of acquaintance with *facts*, and want of understanding of *principles?*

BANK DEFAULTS.

A paragraph has been going the rounds of the papers, stating that J. B. Norris, the late President of the State Bank of Alabama, at Mobile, had embezzled its funds, and "gone to Texas." It has since been denied that he embezzled the funds of the bank; but, as he left Mobile, apparently in poor and embarrassed circumstances; as on his arrival in Texas, he purchased a plantation for $6,000, paying $4,000 of the amount in cash; and as he soon after received from Mobile ten negroes, purchased there for cash in the name of a friend, some of our journalists seem still to have their doubts on the subject.

Officers of banks are at present in such bad repute, that suspicion may attach to many of them wrongfully. When Mr. Suydam, the President of the Farmers' and Mechanics' Bank, New Brunswick, N. J., disappeared, his friends, in searching for his body, raked the bottom of the Raritan river. Every body laughed at them. "The true place to look for him was in Paris, or in Texas. Where else had other bank officers, that had suddenly disappeared, been ultimately discovered?" Yet his friends persevered in their search, and at last they found his remains, and brought his murderer to condign punishment.

Stories to the disadvantage of bank officers must not be too hastily received.

The next case we hardly know how to class. We will put it, for the present, under the head of Bank Defaults, and correct the classification hereafter, if further discoveries show correction to be necessary.

We take the particulars from the State Register, published at Springfield, Illinois. The paper bears the date of July 11th.

"On last Sunday night, and before day light on Monday morning, the branch of the State Bank, at Jacksonville, was entered and robbed of $78,000 in bank notes, $8,000 in gold, and some thousands in silver. The daring villians also destroyed every accommodation note, bill of exchange, and other evidence of debt in the bank. The books of the bank were also mutilated in such a manner as to render it impossible to renew the notes and bills by any evidence in possession of the bank. The leaves were cut from the large books containing accounts since 1837, and destroyed, and all the leaves prior to that time were suffered to remain, being of no use, as they contained entries of accounts which had been settled. All the small books or 'blotters,' were thrown into the chimney with the notes and bills of exchange, and set on fire. The cinders were all that was left of them in the morning.

"To all appearance the robbers entered one of the side windows, and opened the vault by keys. The key of the safe was secreted in the vault, but the robbers appear to have found it without trouble, as they stripped every thing that it contained. They left several boxes of silver standing on the counter, which they had knocked open, and probably left from inability to carry them away. The door of the bank was found unlocked and unbarred, although shut, and it is supposed that after the thieves obtained access they unbarred and un-

locked the door, and afterwards made their escape through it.

"This daring robbery appears to have been committed with as much deliberation as boldness. The clerk or cashier of the bank resided in the building, and was asleep in the room above during the whole time occupied in the robbery. How he could sleep during the noise the villians must have made seems wonderful. The circumstance of the destruction of the notes and bills of exchange would seem to fix this daring act on some of the debtors of the bank, and we think every man who owes it, is called upon to take an active part in ferreting out the villians.

"We learn that the porter of the bank, whose salary had been a short time before reduced, and who had threatened to leave its employ, had been examined. His horse was found ready saddled on Monday morning, and on being questioned, he stated that he was about going into Brown County, but had waited till after breakfast to collect a debt of $20 in town. If the porter had any hand in this robbery, he has undoubtedly been backed by "respectable accomplices." Expresses have been sent out on every road to overtake the villians, but we will eat all they catch. The robbers are in or near Jacksonville to a certainty."

The St. Louis Republican says:—Lately several officers were dismissed from the bank, by a resolution of the mother bank to curtail the expenses. Since then, the late cashier has resigned, and another been elected in his stead, who we understand was to enter on the duties of his office on Monday last. The opposing candidate to the man elected, was the chief clerk and paying teller. All these gentlemen are highly respectable men, and have always borne characters which forbid the idea that they should in anywise be connected with such a transaction. For their sakes, as well as the general good, we trust the robbery will be fully explained. They at least should not be suspected until there is more evidence than we have seen to justify it.

The Alabama Bank Frauds.—A Mobile correspondent of the New York Commercial says, in reference to the lately discovered frauds in the State Bank and Branches, that it has been the custom with them to discount accommodation notes or bills, upon Mobile, with two or three good names which, if not known to the directors, must be recommended by some member of the Legislature. Certain persons have been engaged in making notes and procuring names to them notoriously irresponsible and insolvent, to whom they have paid five, ten, and twenty dollars for their signatures; procured the recommendation of some member of the Legislature, and obtained the money on them. In many instances the members recommending the paper have obtained the money; in others, names have been forged. The extent of these frauds cannot be fully ascertained until the annual report of the banks to the Legislature in November next.

The branch at Mobile, it is said, has transacted a large amount of business within the last year, and the proceeds appear large on paper, but the suspended and doubtful debt, it is stated, reaches nearly $6,000,000!

BILLS OF SUSPENDED BANKS.

The citizens of Hartland, Livingston Co., Michigan, have come to the conclusion no longer to take paper not redeemable in specie on demand. They say they are "determined to be swindled no longer by taking that which is not money, nor even an apology for money."

At Monticello, Georgia, the merchants and other citizens, recently passed a resolution, binding themselves, in honor, not to receive *at par*, after the 1st of September next, either in payment of debts or for merchandise, the bills of any banks, except such as may be paying specie at that time. The bills of suspended banks they will receive only at such *discount* as they may then be at in the city of Augusta.

"We disavow," they say, "any design of oppressing the planter, but believe that we are acting for the good of all, save the stockholders of suspended banks. A system of dealing based upon a depreciated and unstable currency, must act partially, and leave the merchant to determine, without knowing in what currency he will be paid, the prices of his merchandise; and his safety demands, under this uncertainty, that he should add to his regular prices the highest supposable rate to which exchanges may rise. The only equitable plan of doing business is to sell at as low prices as can be afforded—to add nothing for depreciated currency, and to receive in payment nothing but good funds."

CONGRESS.

The discussions in the Senate and in the House, lose none of their interest: but the only bill that has been passed since our last, is one to authorize A LOAN OF TWELVE MILLIONS OF DOLLARS, or *so much thereof* as the President may deem necessary.

As many members of the Senate, including in that number some of those who have most experience in financial affairs, maintain that no loan, or, if any, only a very small one, is necessary, this is imposing on the President, a very unpleasant responsibility.

In the Senate, *the bankrupt bill* was passed on the 24th of July, by a vote of 26 to 23. It is not to be supposed that the Senators who voted against the bill, are less impressed than those who voted in its favor, with the necessity of affording relief to the debtor class. But some would not vote for it, because it did not include in its provisions, bankrupt banks as well as bankrupt individuals; others, because they thought due regard was not paid to the rights of creditors: and others, because they thought its character was such that it must necessarily do more harm than good.

The House has, by an overwhelming majority, resolved to take up this subject.

A new *tax bill*, or revenue bill, as it is called, has been passed by the House. It imposes a tax of twenty per cent. on many articles which are now free from duty.

A bill, appropriating a large amount of money for *fortifications*, has been passed by the House. When the treasury was overflowing with what was called "the surplus revenue," Mr. Benton

of the Senate, proposed that it should be applied to putting the country into a state of defence. He was not properly supported by the members of either party, and now, it seems, it is necessary to involve the nation in debt, in order to accomplish this object.

THE FISCAL BANK.

In the Senate, the details of Mr. Clay's plan of a Fiscal Bank, have occasioned much discussion; and in the House, the Committee on Currency, of which Mr. Sergeant is Chairman, has reported a new bill.

As we did not consider it necessary to give the minor details of the schemes of Messrs. Clay and Ewing, we shall not, of course, be at the pains of specifying those of Mr. Sergeant.

The objections we have urged are such as apply to *any* paper money incorporation which may be established by Congress, with the professed object of managing the fiscal concerns of the Union, or regulating currency and exchanges.

By the consideration of *details*, the attention of the people is diverted from the *fundamental* objections to all such systems.

We hope this important point will not be lost sight of, when the subject comes to be discussed in the House of Representatives.

Mr. Clay's bill was, on the 27th of July, after a session of seven hours, ordered to be engrossed for a third reading by the following vote:—

Yeas—Messrs. Barrow, Bates, Bayard, Berrien, Choate, Clay, of Kentucky, Dixon, Evans, Graham, Huntington, Kerr, Mangum, Merrick, Miller, Morehead, Phelps, Porter, Prentiss, Preston, Simmons, Smith, of Indiana, Southard, Tallmadge, White, Woodbridge—25.

Nays—Messrs. Allen, Archer, Benton, Buchanan, Calhoun, Clay, of Alabama, Cuthbert, Fulton, King, Linn, Mc Roberts, Mouton, Nicholson, Pierce, Rives, Sevier, Smith, of Connecticut, Sturgeon, Tappan, Walker, Williams, Woodbury, Wright, Young—24.

Messrs. Clayton and Henderson were absent.—Thus this important bill, if it should become a law, will become so by a *minority* vote. The representation from Tenn. is not full, and two members from other States, did not, as we have seen, vote on the *test* question.

Before this vote was taken, Mr. Clay offered an amendment, allowing ostensibly to the States the right to object to the establishment of branches within their limits: but providing that if the Legislature of any State should not, at its next meeting, object to the establishment of branches, it should not have such right at any subsequent meetings. This amendment was adopted.

It amounts to nothing. A right which a State possesses, cannot become null, through the mere failure of its General Assembly to neglect for one year the exercise of that right.

On the 28th of July, Mr. Benton moved the indefinite postponement of the bill. The vote was 21 for the motion, 28 against it.

The question then came up on the final passage of the bill. Mr. Henderson rose and said he had absented himself on the day previous, because he could not give his support to Mr. Clay's last amendment; but without giving any reason why, he should vote for the bill as it now stood.

The ayes were 26, the noes were 23. The vote was the same as on the question of engrossment, except that Mr. Henderson on this occasion added his name to the list of those in the affirmative; and of those who had voted in the negative, Mr. Cuthbert, of Georgia, was absent.

Mr. Clayton, of Delaware, was not present when either vote was taken, and Tenn. has in this Congress but one Senator. As the Senate when full consists of fifty-two members, it cannot be said the bill passed that body by a *majority* vote.

The bill was then sent to the House, where it was read twice on the same day.

INCIDENTS.

A correspondent of the Public Ledger "understands that the Schuylkill Navigation Company have been, for some weeks past, endeavouring to obtain an extension of time from the Girard Trust upon 280,000 dollars of the loan now becoming due, in order that they (the Schuylkill Navigation Company) might use the funds in making a dividend." The Ledger's correspondent protests against this. "The City and Girard Trust have" he says "already suffered loss by the depreciation of the stock held in this company, upwards of $300,000, and that I think is sufficient."

Bicknell's Reporter, uses very severe language towards the Commercial Bank of this city. "As evidence of the manner in which it does its business, we may state that while it refuses to accept drafts on itself in any other than current funds, it constantly compels those with whom it has business to accept in blank, or in other words, subject to a demand in specie. Thus it exacts more than it is willing to extend."

The same bank has received a rebuke in the Public Ledger. One thousand dollars were abstracted from the pocket of its runner, Mr. Justus, while he was passing from one banking house to another. The Directors resolved that he must pay an equal amount into bank, or resign his situation.

"If this decision is correct," says the Ledger, "then with the same and even greater propriety, should the higher officers of our banks be held liable for the losses they incur. If the directors of a bank, through negligence, favouritism, or crime, invest the money without taking adequate security for its repayment, let them be held responsible, and forced to make full restitution of the loss. So, if a president, cashier, or clerk, miscount, receive bad money, or abstract funds on depreciated security, let him be compelled to make full payment to cover up all losses."

New York.—On the evening of July 25th, a meeting of persons friendly to Mr. Clay's Bank Bill, was held at New York. The Courier says ten thousand persons were present. The Journal of Commerce, three or four thousand.

On the evening of the 29th, a meeting of the opposite kind was held in the Park. The number, computed by the Journal of Commerce, at

seven thousand. This meeting passed resolutions of a very spirited character, protesting against all the measures known as the "the Loan, the Bank, the Revenue, and the Distribution Bills."

Ohio.—The Ohio Patriot complains "that the Chillicothe Bank, taking advantage of the necessities of the commonwealth, has suspended specie payments and palmed upon the State of Ohio $581,000 in post notes, charging six per cent. interest, and requiring eastern funds (which at Columbus command a premium of eight per cent.,) in payment of the loan. Here is a specimen of the advantages which a bank affords to the people—and of its generous accommodations *to the tune of* 14 *per cent !!!*"

We fear that the editor of the Ohio Patriot is something of "a grumbletonian." If he and his neighbours lose by this movement, the bank gains: and that ought to be a consolation to him and all other good Christians.

THE FOREIGN NEWS.

The Great Western steamship has arrived with London and Liverpool dates to the 14th of July.

The plenipotentiaries of Austria, France, Great Britain, Prussia, Russia, and Turkey, have signed a convention, which finally settles the Egyptian question, and thus gives, it is said, "additional security for that state of peace which every European power is so deeply interested in preserving."

French arms and French policy appear to make but slow progress in Algiers.

At Toulouse, France, there have been riots and arrests, and some persons wounded, but none killed.

The disordered state of money concerns in America, is mentioned as one reason why certain branches of trade were very dull at a late fair, at Leipsic, Germany.

It is reported that the banking house in Paris, of Pierre, Hugues, Verninac & Co. has become insolvent: and that the banking house of Steiner, at Vienna, has proved a defaulter. Their connections with some London house, are said to have produced this result.

It is said that a great many men of liberal sentiments took no part in the late contest in England for members of Parliament, because they had no confidence in either Whigs or Tories. The latter gained the day, because they expended the most money. In London, it is said, from £25 to £50 were given for a vote; and in the little borough of Lewes, £80, £90, and even £100. If report is to be believed, the voters of Norwich were so unreasonable as to ask one thousand pounds a piece, but neither Whig nor Tory would pay this, and the candidates compromised the matter among themselves, by returning one of each party. The paper money banks of England must be very useful in election times.

The Tories will have, it is said, a majority of fifty in the House of Commons.

Owing in part to the elections, trade was dull in the manufacturing districts.

In the British revenue from customs, there has been a falling off in the last year, of between four and five million dollars.

Some commercial failures had occurred, and rumors were afloat of others. The effect was a depression in the stock market. The latest quotations of Consols are 89½ to five-eighths.

Our own stocks are quoted as follows under date of London, July 13th.:—

Alabama, 5 per cent.,	1863,	65
Kentucky, 6 per cent.,	1868,	80
Maryland, 5 per cent. sterling,	1889,	72 a 73
New York, 5 per cent.,	1858 &c.,	80
Ohio, 6 per cent.,	1856 &c.,	86
Pennsylvania, 5 per cent.,		70
Tenessee, 6 per cent.,	1868,	79
United States Bank shares,		£3 15s.

It is not stated whether sales were actually effected at these prices, or whether the quotations were merely nominal.

The receipt by the Great Western, of means to pay the half-year's interest on Illinois stock, due on the 1st of July; and the promise that means to pay the dividends on the Indiana bonds, would be forwarded, gave, as may be supposed, great satisfaction to those interested in these securities.

At Liverpool, in the week ending with July 4, the cotton market opened with a good trade demand, and on Monday there was an advance of one-eighth *d.* per pound in the current qualities of American cotton. In the last three days of the week, the price receded to its old rate. The sales on the 12th of July, were about 3,000 bags, of which 2370 were American, at 5¼*d.* a 7½.

Within a few years three paper money banks have been established in the island of Jamaica.—Knowing this, we are not surprised to learn, that "general credit, was never, perhaps, at so complete an ebb as it is at present in Jamaica. The list of insolvencies, during the last twelve or eighteen months, and still being added to, will perhaps bear comparison with that of no other community in the empire."

The people of Havanna, having no paper money banks, contrive to gratify their love of gambling by adventuring extensively in lotteries.

In various provinces of Mexico, and South America, revolutions are either in progress or in prospect. We have no great confidence in Spanish American republicanism. Where it prevails, every interesting question that arises seems to lead to revolution and bloodshed.

ACKNOWLEDGMENTS.

When we, in our last, expressed our acknowledgments to many members of Congress, for the aid they have rendered us, in diffusing a knowledge of our plan, we ought to have included in the "vote of thanks" other gentlemen in Washington. We have now to acknowledge ourselves under additional obligations to members of both the Senate and the House; and also to gentlemen in Natchez and Vicksburg, Miss.; St. Louis, Miss.; Ross and Wooster, Ohio; Cassville and Warrenton, Georgia; Petersburg, Virginia; Burlington, N. J.; Bridgeport, Conn.; and various other places. Several lists of subscribers that we have heard of, have not yet come to hand.

N. B. We can complete the files of ANY NUMBER of new subscribers.

PRICES OF BANK NOTES AND SPECIE.

Saturday, July 31*st*, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	¼ *a* ⅜ dis.	— *a* 2¼ pr.
New Hampshire	¼ *a* — dis.	— *a* 2½ pr.
Vermont	¼ *a* — dis.	— *a* 2½ pr.
Massachusetts	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Rhode Island	½ *a* — dis.	— *a* 2½ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 2½ pr.
New York City	Standard.	3 *a* — pr.
New York State	¼ & ¾ *a*—dis.	3 *a* — pr.
East Jersey	⅜ *a* — dis.	Par
West Jersey	3¼ *a* — dis.	Par *a* 1 dis.
Philadelphia	3¼ *a* — dis.	Standard.
Pennsylvania, East	3¼ & 5 *a*—dis.	Par *a* 1 dis.
" West	3¼ & 5 *a*—dis.	Par.
Delaware	3¼ *a* — dis.	Par.
Baltimore	3 *a* — dis.	Par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	½ dis.
Virginia	4 *a* 4¼ dis.	½ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	4½ *a* — dis.	2 dis.
South Carolina	2 & 3½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	10 *a* 40 dis.
Alabama	12 *a* — dis.	8 *a* — dis.
Louisiana	8 *a* — dis.	— *a* 4½ dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	8 *a* — dis.
Kentucky	— *a* 9½ dis.	6 *a* — dis.
Missouri		5 dis.
Illinois	10½ *a* — dis.	8 *a* — dis.
Indiana	9½ *a* 10 dis.	7 *a* — dis.
Ohio	8 *a* 10 dis.	4 *a* 8 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	3 *a* — pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.00 *a* 16.25	16.30 *a* 16.40
Patriot Doubloons	15.70 *a* 15 75	15.90 *a* 16.00
Spanish Dollars	3 *a* — pr.	4 *a* — pr.
Mexican Dollars	¼ *a* ⅜ pr.	3 *a* — pr.
Five Franc Pieces	94 *a* 94½ cents	95 *a* 96
Half Dollars	Par *a* — pr.	2¼ *a* — pr.
BILLS OF EXCHANGE ON		
London	7¾ *a* 8½ pr.	11 *a* 11¾ pr.
France	5.28¾ *a* 5.27½	5.15 *a* 5.12½
Holland	39⅜ *a* 39¾	41 *a* —
Hamburg	35½ *a* 35⅝	37 *a* —
Bremen	76¾ *a* 77	79½ *a* 79¾
Boston	Par *a* ⅛ pr.	3⅛ *a* 3¼ pr.
New York		3⅛ *a* 3¼ pr.
Philadelphia	3 *a* 3½ dis.	
Baltimore	2¼ *a* 2⅜ dis.	⅛ *a* ¾ pr.
Richmond	3½ *a* 3¾ dis.	⅞ *a* 1 dis.
North Carolina	3¾ *a* 4 dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 1 pr.
Savannah	3½ *a* 3¾ dis.	— *a* 1 dis.
Augusta	6 *a* 15 dis.	
Columbus	12 *a* 15 dis.	
Macon	13 *a* 15 dis.	
Mobile	9¼ *a* 9½ dis.	7¾ *a* 8 dis.
New Orleans	5¼ *a* 5½ dis.	4 *a* 4½ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	12 *a* — dis.	8 *a* — dis.
St. Louis	8¾ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	5 *a* 6 dis.
Cincinnati	8¼ *a* 8½ dis.	— *a* 6 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	8½ *a* 12½	11 *a* 14
Mobile	8½ *a* 12¼	10½ *a* 14
Upland	8¼ *a* 10¾	9½ *a* 13
Flour, Western Canal, per bbl.	5.87½ *a* 6.00	
Philadelphia	5.37½ *a* 5.50	5.25 *a* 5.62½
Rye Flour	—— *a* 3.50	— *a* 3.12½
Indian Meal	—— *a* 3.50	3.00 *a* 3.25
Grain—Wheat, per bush	1.20 *a* 1.30	1.10 *a* 1.25
Rye	63 *a* 63½	55 *a* 63
Corn	68 *a* 70	62 *a* 64
Oats	35 *a* 44	39 *a* 41
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 32½	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4 *a* —	4½ *a* 4¼
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	3½ *a* 6	
Kentucky	4½ *a* 10	3 *a* 10
Wool, American, Merino, per lb.	42 *a* 45	38 *a* 40
Common	25 *a* 30	25 *a* 30
Whiskey, Rye, per gal.	22 *a* 23¾	22 *a* 24
Provisions, Mess Beef, per bbl.	9.50 *a* 10.00	10.00 *a* 10.25
Mess Pork, per bbl.	10 37½ *a* 11.00	10.00 *a* 10.50
Hams, per lb.	5 *a* 8	5¾ *a* 10
Lard, per lb.	6½ *a* 8	6 *a* 8
Cheese, per lb.	5½ *a* 6	7 *a* —
Rice, per lb.	3½ *a* 3¾	3½ *a* 4

BANK NOTES.

Our authorities are the same as in our last; namely, the New York and Philadelphia Commercial Lists. They give the names of only the principal banks in the more distant States.

To the second number of this Journal, the reader is referred for the names of a number of banks in different States, the notes of which are at a greater or less discount than given in the table. In the prices of these, there has been no great variation since our last.

At Philadelphia, U. S. Bank notes have fallen one per cent. additional, or to 19 dis.

Notes of the Franklin Bank of New Jersey (a bank which broke fifteen years ago) have recently been put in circulation in this city and its neighbourhood.

SPECIE.

We have left American gold of the *old coinage* out of the table, because very little makes its appearance in either New York or Philadelphia. But as some stray pieces are still to be found in different parts of the country, it is proper to state that it is worth about 6 per cent. more than gold of the new coinage. Thus, an old-fashioned eagle is worth $10 60 in New York currency, and $10 90 in Phila delphia.

RATES OF EXCHANGE.

The quotations of foreign exchange are for bills payable sixty days after sight. Those for domestic, for bills payable at sight.

The true par of exchange with England is 9 per cent. above the nominal par. The par of exchange with France is 5 francs 26 centimes for a dollar. With Holland, 40 cents a guilder. With Hamburg, 35 cents a mark banco. With Bremen, 80 cents a rix dollar.

By inspection of the table, it will be found that at New York foreign exchanges are decidedly in favor of this country; and at Philadelphia also, if due allowance be made for the depreciation of Philadelphia currency.

THE STATE OF TRADE.

Trade is dull. A Market-street man has told us that it is *dead.* If it is, it will revive again. Society has been unhinged by paper money banking; but a people like ours will be swinging to and fro, even though they have no fixed pivot as a *point d'appui.* Such of our business men as remain in town, are making preparations for extensive business in the fall.

They have encouragement so to do, in the increase which has just been announced in the tolls of the Pennsylvania canals. From Nov. 1st to June 22d, 1839–40, they amounted to 685,469; in the same period of 1840–41, to $708,871. Increase this year, $23,408. And this notwithstanding the Delaware division, owing to its being out of repair, has yielded nothing. If this had been in order, the increase would have been at least $70,000. This shows that the people of the interior have not relaxed their industry; and where there is industry there must be trade; although that trade, with a currency of uncertain value, must necessarily be subject to much embarrassment.

THE MONEY MARKET.

In this there has been no material change since our last. The Philadelphia banks have paid one-half of what they owed to the eastern banks. They profess to discount all good business paper, but the brokers quote "fair paper (out of doors) at 7 to 9 per cent. per annum."

THE STOCK MARKET.

Stocks are still dull. "Some thirty brokers" says a Philadelphia contemporary, under date of July 29th—"some thirty brokers—hale, hearty, able-bodied, and some of them good-looking men—occupied a seat at the board for upwards of an hour, and when they arose, they found that they had accomplished the arduous task of selling *twenty-four shares of stock!*"

To this our contemporary should have added, $100 of Lehigh six per cent. loan, which brought 61¾. The total amount of transactions was, one thousand dollars, and thirty-six dollars, and seventy five cents.

United States script, to the amount of ten thousand dollars (part of our new National Debt) bearing an interest of five per cent., was received from Washington on Tuesday, (July 27th), with orders to sell. It was accordingly offered at 103½, and there appearing to be no bidders, "we presume," says the Ledger, "to keep up appearances, and for effect out of doors, the same individual immediately offered to give 103 for the same amount. This he might with perfect safety do, knowing that no other person present had a share to dispose of. It was on Thursday again offered with very similar results. Not a share was sold, however, and but 100 in currency offered, which, as the loan is a specie one, is equivalent to but 96½."

At the New York stock board on the 28th of July, $100,000 of New York and Erie Rail-Road six per cent. stock, were bid off at par. "As the stock is selling in the market at 90 *a* 91, the probability is that the sale was one of the reprehensible shams so often practised by auctioneers."

If the labor of a man, for a day, or for a year, produces more than is necessary for his immediate support, he can, by exchanging the surplus product for gold or silver, secure the means of supplying his wants in future days or years. Time will not corrupt his treasure or lessen its value. If he should not require it all for his personal wants, he may, at the end of fifty years, endow his children with a portion.

The use of money renders it unnecessary for families to keep on hand a large stock of provisions and other necessaries, and thus saves them from the risk of loss from provisions' spoiling, and from various accidents. Having money, they may procure whatever else they want, in just such proportions, and at just such times, as they want.

If business or duty calls a man to a distant country, he finds in money the means of procuring comforts similar to those he enjoys at home. The instrument by which he procures all these advantages, is light of carriage, and is unaffected by any climate into which he may travel.

As the value of silver has undergone hardly any variation in the last two centuries, and probably will not undergo any great variation for a hundred years to come, a man may, in solid money countries, enter into a contract to pay a sum of money, ten, twenty, or thirty years hence, and rest assured that more wealth will not be exacted from him than he intends to give. In such countries, contracts can be complied with in equity.

As the standard of value in most countries is the same, the coins differing only in weight, purity, stamp, and denomination, the value of different articles in different countries at the same time, can be ascertained with sufficient accuracy for each country to determine what articles it is expedient to export and what to import.

Without money, the division of labor could never be carried to any great extent, and the wealth of society would be small. Money, by promoting commerce, advances civilization.

All these advantages are procured at a small cost, for the product of the labor of a commercial nation, for a few weeks, will procure it enough of metallic medium for all the purposes of domestic trade, and this medium will not require renewal for centuries.

If the sovereign power refrains from unnecessary alterations in the coinage, commerce is, in countries where metallic money is exclusively used, liable to derangement from none but great natural or political causes. If the supply of gold and silver from the mines is greatly increased, it does not produce a great rise of local price, for the metals diffuse themselves over the whole commercial world. If any country gets a large portion of these metals, manufactures absorb a part, and the increase of money is only in proportion to the increase of trade. If the supply from the mines is diminished, manufactures absorb less.

To the state of trade in different countries, the supply of gold and silver money naturally adapts itself, and also to the state of trade in each county and each town; and to the condition of each individual. If any country, any county, any town, or any individual wants money, it is for the same reason that that country, that county, that town, or that individual, wants corn, cloth, coaches, or other commodities.

If the laws regulating trade introduce a new state of things, the stock of gold and silver soon conforms to the new relations of supply and demand.

No prohibitions can prevent money's departing from those countries where its amount is beyond what their trade and industry require. No country can be deprived of its just proportion of the precious metals, except by the use of paper, or by such causes as ruin the commerce and industry of a nation. No obstacle, except spurious money, can prevent the precious metals from flowing into countries where wealth is increasing.

No instance is on record of a nation's having arrived at great wealth without the use of gold and silver money. Nor is there, on the other hand, any instance of a nation's endeavouring to supplant this *natural* money, by the use of paper money, without involving itself in distress and embarrassment.

CHAPTER III.

Of Barter, Ledger Entries, Bills of Exchange, and Promissory Notes.

It is not necessary for carrying on business honestly to introduce gold or silver money into every transaction. After we have measured a scantling by a foot rule, we may use that scantling to measure another, and that again to measure a third. We can, after having measured several scantlings in this way, make a tolerably correct estimate of the

length of others by the eye. In like manner, after the value of given quantities of corn, cloth, and other commodities, has been ascertained by exchanging them for gold or silver, the value of other parcels of the same commodities may be determined without the intervention of coin. In commercial countries in which there is no paper money, little trade is carried on by direct barter, not because it is difficult to make a correct barter estimate, but because purchases and sales can be better regulated in regard to time and quantity by other modes of business.

Hence the practice of ledger entries, or running accounts. The amount of transactions between two traders may be very great, and yet if in all their dealings they have strict reference to the specie price of goods, the commerce may throughout be an interchange of equivalents, though not an ounce of gold or of silver may have passed from one merchant to the other.

By promissory notes, the use of real money is *deferred*, and in some cases *superseded*. If A gives a promissory note to B, and B gives it to C, in exchange for goods, and C passes it to D, the use of money is in two cases superseded, and in one deferred.

Bills of exchange have, in some respects, a similar effect. A merchant at Paris sending goods to Alsace, and wishing money for them, might be forced to wait till the goods could be sold, and the money brought from Alsace, if he could not dispose of a bill of exchange. In like manner, a manufacturer in Alsace, sending goods to the capital, might be forced to wait for payment till the money could be brought from Paris. Here would be two sums of money passing in opposite directions. Supposing the whole trade of France carried on in this way, the amount of money continually on the road would be equal to the whole amount of goods on passage.—The amount of money to be annually transferred from one country to another would be equal to the whole amount of trade between different countries, except when the business of importing and exporting was carried on by the same merchant. By the use of bills of exchange, the merchant receives the money for which the manufacturer's goods were sold at Paris, and the manufacturer receives the money for which the merchant's goods were sold in Alsace. In this way, it becomes necessary to transfer from one part of a country to another, or from one country to another, such sums only as are equivalent to the balances of trade.

Bills of exchange, where the practice is to pass them from hand to hand, serve as a local commercial medium. They are used as such to a great extent in England. They were, and perhaps are still, the chief medium in wholesale transactions, in the county of Lancashire, which has within its bounds the cities of Liverpool and Manchester, and other towns.

Each of these kinds of medium has its *specific* uses; and each is, as an *auxiliary* of gold and silver money, productive of great benefit. A clear view of their operations is necessary; for the distinction between the representatives of private credit, and of bank credit, is as important as the distinction between genuine money and spurious.

Promissory notes, and bills of exchange, agree with money in being a medium by which valuables are circulated. They differ from it in being evidences of debt owing by one man to another—which money is not.

In a far more important particular do they differ from money. They are *mere* commercial medium. They are neither *standards* nor *measures* of value. The amounts expressed in them are the estimations made of goods, by reference to the article which law or custom has made the standard of value.—They may be conveniently distinguished as *commercial* medium, restricting the term *circulating* medium to money.

An increase of these kinds of commercial medium may have the same effect on prices as an increase of money. Where the spirit of speculation is excited, men, after having exhausted their cash means, strain their credit. Cash and credit are then competitors in the market, and raise prices on one another. In the year 1825, a year of great speculation, the amount of bills of exchange, negotiated in England, was, according to the returns to parliament, six hundred millions sterling. Supposing one-eighth of these in circulation at the same time, this branch of the commercial medium of England amounted in that year to seventy-five million pounds.

But the rise of prices produced by these occasional multiplications of the representatives of private credit, is always temporary. At the end of a given period the balance of the running account is demanded, and payment of the promissory notes, and of the bills of exchange, is required in money. If they are paid, their effect on prices ceases. The result is the same, if they are dishonored. In 1826, the amount of bills of exchange negotiated in England, was four hundred

millions. Supposing one-eighth part in circulation at one time, this branch of the commercial medium of England amounted in this year to fifty millions, and was one-third less than in the year preceding.

In countries where the money is of a sound character, and the state of credit is sound also, ledger entries, bills of exchange, and promissory notes, serve rather to keep prices on a level, than to cause them to fluctuate. In some seasons of the year, as when crops are brought to market, or cargoes arrive from foreign ports, there is naturally more trade than in other seasons. By the use of private credit, payments are divided among the different months more advantageously than would otherwise be practicable.

Thus, in whatever way trade is carried on, whether by barter, running accounts, promissory notes, bills of exchange, or money, one principle of valuation is adhered to in countries having a sound money system.—The cash sales regulate the credit sales, and the cash prices regulate the credit prices.

If the money of a country is paper, whether issued by the government or by a corporation, the expressions of value in the running accounts, promissory notes, and bills of exchange, are according to the new standards and measures of value.

Into the nature of these we shall inquire in other chapters.

CHAPTER IV.

Of Banks of Discount.

Let us suppose that all the banks in the country were destroyed, and that our circulating medium consisted exclusively of gold and silver coin. In such a state of affairs, every merchant would keep about his person, or in his house, his whole stock of money.

Let us next suppose an *Office of Deposit*, established in any one of our large towns. For the sake of security against fire and robbers, the wealthy would here deposit whatever money they did not require for immediate use. All the money employed in the wholesale trade would thus become the deposit of the bank. It might be drawn out a few times, but as every large dealer would keep an account at the bank, the absurdity would soon become evident, of drawing out the money by one man, that it might be deposited in the same place by his neighbor. The amount would, therefore, be transferred from the credit of one merchant to that of another, and the bank would become an *Office of Transfer* as well as of *Deposit*. The only money that would circulate, would be that employed in retail trade. All wholesale transactions would be adjusted by checks on the bank, and transfers on its books.

The bank having issued no paper, the only demand on it would be for specie to send abroad. This demand would be limited, for every merchant would make it a rule to retain enough money in bank for his domestic trade. It would be only as the trade of the town fluctuated, that the amount of money in the vaults of the bank would fluctuate. We may suppose that it rose as high, sometimes, as six millions, and sunk as low, sometimes, as four millions. In a little time, the bank would discover the lowest amount to which its permanent deposits would be liable to be reduced: and it might lend nearly the whole of this amount without much risk of discovery. The money might, indeed, be sent abroad by him to whom it was lent, but he by whom it had been deposited would still have a credit at the bank, and as all the wholesale transactions of the town would be carried on by checks on the bank, his credit on the books of that institution would serve him the same purposes as money. Retaining the sum of five hundred thousand dollars to meet contingencies, the bank might safely grant discounts to the amount of three millions five hundred thousand, and thus realize a profit of more than two hundred thousand dollars per annum, without lending a cent of its own capital, and without issuing any paper.

It is worthy of note, that the Bank of Amsterdam acted on this principle. Millions of money, which the merchants had deposited in its vaults, and for the safe-keeping of which, and the transferring of which from one account to another, they paid a premium, were lent by the Bank to the India Company, and to the provinces of Holland and West Friesland. The fact was long kept secret; but was discovered when the French entered Amsterdam in 1794.

What was regarded as a shameful breach of confidence in the Bank of Amsterdam, is, with our American banks, an avowed principle of action. They all lend the money deposited with them for safe-keeping, and it is in this way that the banks in the large cities make a great part of their profits. All the

money required for wholesale transactions is their permanent deposit. It may go out one day, but it returns the next; and it may be transferred from one bank to another, but it is never long out of some of the banks; and for the same sum of money there are frequently two credits—one in favor of him by whom the money has been deposited, and another in favor of him to whom it has been lent.

These bank credits have a very different effect from the ledger entries of private traders. Whoever sells on trust puts on his goods an additional price, equivalent to the interest for the time for which payment is deferred. Sellers may persuade purchasers to the contrary, and, in some cases, capital may be so plentiful that the amount of interest on a small sum, for a short period, may be scarcely appreciable. In other cases, the increase of price is greater than the amount of interest; as with fashionable tailors and shoemakers, who are forced to charge insurance on each item, and make the honest pay for themselves and the dishonest also. Their business would not otherwise yield the common profits of stock and the common wages of labor.

But bank credits are equal to cash. The bank check goes as far as bank notes, for bank notes can be obtained for it on demand.

Increase of bank credits has the same effect on prices as increase of bank notes.—He who has deposited money in the bank, and he to whom it has been loaned, appear as competitors in the market, and raise prices by bidding against one another. It is the same sum of money with which they are contending, and the seller of goods can get it from one only. But there are two credits for this money in the bank, and the credit is equivalent to cash, both to him who has deposited the money, and him to whom it has been lent.

Our American banks of discount must be distinguished from *Loan Offices*, or institutions which lend no more than the amount of their own capital. As some express it, the business of the American banks is "to lend credit."

These banks must also be distinguished from the Bank of Amsterdam, as it once was, and the Bank of Hamburg, as it now is.—Into those cities there was a great influx of foreign coin, of various denominations, much of which was clipped or worn. To save the trouble of ascertaining the exact value of each parcel, by sorting it on every transaction, it was deposited in bank, and credit granted to each merchant for the amount he deposited, according to mint valuation, a small sum being deducted for warehouse rent, and a small fee charged on each transfer. These banks were mere offices of deposit and transfer—not of discount. They were very different from our American banks.

CHAPTER V.

Of Banks of Circulation.

Our American banks are not contented with the profits derived from lending the money of depositors to other people.

As soon as the first instalment of the capital is paid in, the bank commences issuing notes. To those who come to borrow, it lends paper or coin. The paper being exchangable for coin, serves, at least at the place where it is issued, the same purposes as coin.

Every man desires money, because he can therewith procure whatever else he desires. If paper can procure for him the object of his desire as readily as gold and silver, paper is as desirable to him as gold and silver. The bank, therefore, finds borrowers for all the coin it has to lend, and all the paper it deems it safe to issue. This addition of notes to the amount of metallic money previously in circulation, raises first the price of some articles and then of others. The borrower from the bank having more money, either paper or coin, at command, can offer an additional price for the object of his desire, or perhaps procure some desirable object that was before unattainable. He from whom the borrower has bought, having made a speedier sale, or perhaps received a higher price than would otherwise have been possible—he also has it in his power to obtain some object of desire that was not before within his reach. A third, a fourth, a fifth, a sixth, each in his turn, derives a like advantage from this increase of circulating medium. The rise of prices is confined for a time to store goods, but it at length reaches real estate, and finally the wages of labor. Industry is stimulated, and enterprise encouraged. Speculation is excited, private credit is strained, and the representatives of private credit are multiplied. Every body is active, and all branches of business appear to be prosperous.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, August 18, 1841. No. 4.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—

PHILADELPHIA—By the Editor, No. 302 Race street.

Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.

Mr. C. COLON, *News-vender*, Chesnut street, adjoining the Arcade, east side.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

TO THE NEWS-VENDERS.

GENTLEMEN,—

We think it proper to apprise you that if "The Journal of Banking" does not "take," as it "*ought* to take," in any town or city in which you have established yourselves, *we shall lay the fault entirely on you.*

In this city, we have not taken an office in the business part of the town, but are trusting entirely to Messrs. Zieber and Colon, "to push" the Journal in Philadelphia and its neighbourhood. We repose the same trust in the news-venders in other places.

Tell us not that there are no persons in your town or its vicinity, who *want* the Journal of Banking. It CANNOT be. In some comparatively small villages, we have now more readers than in some towns of considerable population. Why is it so? Simply because in those villages, some gentlemen took a little pains to ascertain who wanted the Journal; and in the towns of larger size, a few cases excepted, no such effort has yet been made.

We have heard of several gentlemen, "who did not know whether they had or had not subscribed to the Journal of Banking," and it is possible this may, with truth, be said by many others. We admit that you will meet with many cases of persons who "do not *exactly* know whether they want, or do not want it." Keep a close eye on every such man. He *really* wants this Journal, and is only taking time to satisfy himself of the fact.

In every town where there are reading people enough to make news-vending a business worth following, there *must* be enough who want the Journal of Banking to make it an object with you to find them out. This may take some little time, we admit: but your time is your own. You can take as much of that as you please.

RESPECTED READER,—Have you prepared "the domestic book binding apparatus," which we described in our second number. Ten to one, you have been too busy—or there was no pasteboard or other thick paper about the house—or peradventure no bodkins—or it may be no tape or other cord of the proper dimensions—or perhaps you could not find two little pieces of wood, of exactly the right length, breadth and thickness—and you live in the country, and it was not convenient to send to a store for any or all of those articles.

Ah! reader, we much fear that if it has been inconvenient for you at any and every time in the last four weeks, to prepare "the domestic book binding machine," it will be equally so in the next four, and in the next eight. Your best plan then will be, to select some particular place in a drawer or on a shelf, in which to deposit eacl number of the Journal after you shall have read it. Let it be beyond the reach of your younger children, but encourage such of the others as are old enough to understand it to peruse its contents. You can let your wife know where you place it, and to increase her respect for it, tell her it is a kind of Bank Bible. There will be no impropriety in this, for *Bible* is the Greek for *Book*. If she is a sensible woman, (and we have not the smallest doubt she is,) she will aid you in keeping it clean and complete. The ladies are beginning to be aware of the importance of the banking question. They say it is a subject that does not properly belong to them, but they like their husbands to study it. They are right in this. Hundreds, nay, thousands of families have been ruined, simply through their ignorance of paper money banking operations.

POETRY.

We intimated in our first number, that it was quite possible that poetry, or at least rhymes, might occasionally adorn our columns. We have since met with a friend, who writes verses as soft and as smooth as the silk paper on which bank notes are printed. We asked him for some for our journal. "Verses for a Journal of Banking!" exclaimed he, in amazement. "Yes," we replied, "why not?" "Well, then," he subjoined, "only give me a hint." We referred him to Thomas Moore's "Odes on Cash, Corn, and Catholics," for a model. He had read them, but had forgotten their particular form and texture.

We hope he will read them again, or what will be better, give us something quite original in conception and design.

Wm. C. Bryant, and, we believe, nearly all our first-rate poets, are hard money men. If it be true, as has been asserted, that a certain political party has *sung* itself into power, we put the question to our poets, whether they ought not to exert their talents in favor of sound currency, sound credit, and sound banking. Send us a right good hard-money, or anti-paper money song, and we will have it set to music.

> "Music in *virtue's* cause retain,
> *Rescue* the holy pleasure."

In the mean time, having nothing original to offer, we copy the following from the Washington Globe.

EPIGRAM—IMPROMPTU.

Of modern books, the best I know—
The author all the world is thanking—
One written more for use than show,
Is quaintly titled, "*Gouge* on Banking."

But still improvements might be made,
Whilst books on books the world is scrouging,
Let *Biddle* try to help the trade,
And write one titled, "Banks on *Gouging*."

The author is a native of Virginia, and none but gentlemen south of the Potomac, will understand the full force of the epigram.

The first line may be thought to be hyperbolical; but poets have licenses denied to prose writers.

It may be objected, that "scrouging" is not a "dictionary word." The poet cannot help it. If the dictionary makers are to be believed, there is no word in the English language that will rhyme with "Gouge," or "Gouging."

There are some other words, which are also in this respect "matchless." But some of these may be made to jingle by putting two words together. An English nobleman, it is said, offered a reward of fifty pounds to any one who could find a rhyme for "porringer." This produced the following:—

> "The king, he had a daughter fair,
> He gave the Prince of Orange her,
> And now, my lord, I hope you'll own,
> I've found a rhyme for porringer."

In writing anti-bank songs, there will be no necessity for resorting to such contrivances. "Banks" will rhyme with "pranks."

GOLD AND SILVER MINES.

Quite a sensation has been occasioned at Matanzas, by the announcement that a gold mine, and also a silver mine had been discovered in the neighbourhood of that port. The discreet editor of the Noticioso advises all Cubans in that quarter to exert their strength in cultivating the products of the rich soil, rather than be induced to plunge into the bowels of the earth after what may not be obtained.

The gold mines in the provinces of Ceara and Minas, in Brazil are becoming neglected, the people paying more attention than formerly to agriculture. Several gold mines have recently been discovered, near the river San Francisco in Bahia, and a silver mine in the neighborhood of Rio Janeiro.

CURRENCY IN HAVANA, CUBA.

The currency of this island, though metallic, is in a sad state of confusion. A doubloon, worth in reality \$15 55½, according to the assays at the London and Philadelphia mints, is estimated as worth seventeen dollars. And pistareens, worth in reality less than nineteen cents, pass in the market for twenty-five. The effect of this has been to drive silver dollars out of circulation; and the current practice is to do up pistareens, to the number of sixty-eight, into a rouleau, or little roll, and exchange them for a doubloon.

If the real value of the gold, and the real value of the silver be taken into consideration, it will be found that the pistareens are estimated twenty per cent. too high. That they could for any length of time have obtained circulation at this rate, must have been owing to the supply of them being limited in proportion to the demands for retail trade, in the same manner that the market value of British silver coins is kept up in England, and that the market value of our own copper coins is maintained in these United States. The supply would, however, seem of late to have exceeded the demand, as the pistareen currency is producing great practical inconvenience. A reform of both the gold and silver currency is talked of, and certainly a reform is much wanted.

It is well worthy of remark that though the currency of Havana is in this disorderly state, trade is very prosperous there, and failures are of very rare occurrence. Why is it so? Simply because they have no *factitious* credit system.

HOW THE SYSTEM WORKS.

One of the oldest and most frequently used reasons in favor of the special privilege conferred upon banks is, that through them small traders and beginners in business are enabled to procure the necessary amount of capital to enter into business as principals. The following fact, stated by Mr. Clay, of Alabama, in a speech in the United States Senate the other day, proves that this reason, feeble as it is, is not always made a principle with the banks. He said he had known an instance where the directors of a bank, with a capital of two millions of dollars, had loaned themselves, their relations, and those connected with them in business, to the amount of \$2,800,000—about \$800,000 more than the capital actually paid in!

☞ The dissertation on "THE TRUE PRINCIPLES OF COMMERCIAL BANKING," commenced in our last, is continued on the next page.

Section III.

If the principles of commercial banking are correct, it would seem that, as long as these institutions confine themselves to real business transactions, there is little danger of either foreign or domestic exchanges being deranged. In addition to the operations of the Mississippi banks, founded on goods received from New York, and cotton sent to New Orleans, there would be others founded on the business transactions of the citizens of Mississippi among themselves. The issues of the banks resting on such transactions would furnish the local currency, and as no note would be issued but in consequence of a value already created and adapted to circulation, there could be no excess of issues: and while the currency of Mississippi was thus kept at par at home, there could be no possibility of deranging it from abroad, so long as the exchange dealings of the banks should be based exclusively on goods received from other States, and products sent to other countries.

But let the banks of Mississippi, in addition to loans to facilitate *bona fide* commercial operations, also make loans to enable individuals to speculate in lands. Suppose a bank should, in addition to an advance of 100,000 dollars to a merchant, made in order to enable him to anticipate the proceeds of his cotton sent to New Orleans, also advance him 100,000 dollars to buy Government lands. If we are rightly informed, such things *have* been done in Mississippi. This amount may not enter immediately into circulation: but it must do so, sooner or later, whether the amount "is deposited with the States," or paid out in the ordinary course of expenditure which the public service requires. Suppose that *all* the banks in Mississippi afford "accommodations" of this kind, and that the aggregate amount is several millions. In the course of trade, a portion of the excess will find its way to New York, and then the rate of exchange, as measured by the price of bank notes, must be greatly against Mississippi: unless, indeed, the New York banks shall have made issues equally excessive to accommodate speculators in town lots, dealers in fancy stocks, and builders of fancy palaces.

We may suppose all the banks in the country to act in this way, and those in the north, south, east and west to be so nearly equal in their excess of issues, that, for a time, there is little variation from the ordinary rates of domestic exchange. But this cannot long continue. The rise of prices caused by so general an excess, encourages importations, and discourages exportations. Though we have the finest and most extensive wheat lands of any conntry in the world, we cease to export and begin to import bread stuffs. This may, for a time, seem to do very well: but as we do not pay as promptly as we ought for part of what we import, our credit abroad begins to be affected. The course of foreign exchanges is turned against us. The merchants, to avoid paying heavy premiums on European bills, export gold and silver. But hardly does the sum total amount to five million dollars, before our eight or nine hundred banks find they can bear no further drains. As if with one consent, they all stop payment, and the country is exposed to all the evils, present and prospective, of an irredeemable paper currency.

According to the theory of commercial banking, none of these evils would have come upon us, if the banks had made no issues and granted no credits, except on real business transactions of short dates.

If there are errors in this theory, we are not responsible for them. We take it as we find it. Objections have been brought against it, but what they are we need not now discuss. Our present object is not either to assail or defend the theory of commercial banking, but simply to explain it, and to show the utter incompatibility of its principles with the receipt of bank notes for public dues and public lands. When banks make issues for the payment of taxes, their notes are but a new emission of continental money, different from the old in form, but the same in substance. When banks make issues based on lands, what have we but the French assignat system over again?

It is no wonder that currency and exchanges have, during the last fifty years, been in a state of confusion, for the history of most banks has been little more than a history of deviations from correct banking usages. In all, or nearly all countries, banks are to a greater or less extent fiscal machines, and every Government makes them so when it receives bank notes in the payment of the public revenue. The greater part of the paper issuing banks on the continent of Europe are, in a strict sense, Government banks. So also is the Bank of England. Its chief business is that of exchanging exchequer bills for bank notes. In some years the whole of its advances to merchants have not exceeded one or two millions sterling, while those of a private firm, that of Richardson, Overend and Co., have amounted to as much as twenty millions.

MR. GALLATIN'S LAST WORK.

This is a pamphlet, in octavo form, of one hundred and twenty pages, including the Appendix. It is entitled "Suggestions on the Banks and the Currency of the several United States, in reference principally to the Suspension of Specie Payments."

It contains many propositions to which we must be permitted to enter our dissent, but many others have our most hearty concurrence.

In this work, as in the one published in 1830, Mr. Gallatin maintains that the only advantage gained by having banks of *issue*, is an addition to the capital of the country equal to the whole amount of their active circulation, after deducting the specie they retain in their vaults to support that circulation. Supposing it to be so, the capital thus acquired, amounts, on his estimate, to sixty, or, at most, ninety million dollars. At six per cent. sixty millions will yield an interest of three million six hundred thousand dollars a year, and ninety millions will yield five million four hundred thousand dollars. Divide the first of these sums among the seventeen million persons who compose our nation, and each will get the enormous amount of *twenty-one cents, one mill*, and something less than *three-fourths of a mill*. Divide the second sum in like manner, and each will get *thirty-one cents* and a fraction a year!

And for this the nation is to be periodically convulsed, man set against man, and brother against brother! For this, prices are to be made to fluctuate like the waves of the sea! For this we are to endure all the evils of suspension of specie payments, and the scarcely less evils attendant on their resumption!

Well may Mr. Gallatin exclaim:—

"It may with truth be affirmed that the present "situation of the currency of the United States, "is worse than that of any other country. The "value even of the irredeemable paper money of "Russia has, during the last forty years, been "more uniform; and in its fluctuations, the ten-"dency has been to improve, and not to deteri-"orate that value. No hesitation is felt in saying "that, whatever may be the presumed advantage "of a moderate use of paper currency, convertible "into specie on demand, to have no issue of paper "would be far preferable to the present state of "things."

It is always extremely gratifying to us to hear such truths as these, uttered by men who occupy such stations in society as are filled by Mr. Appleton and Mr. Gallatin. Truth, whispered in the faintest tones by a bank President, will reach the ear of many a one, who would be utterly deaf to the same truth proclaimed with the voice of a trumpet by one filling a private station.

BENTHAM ON USURY.

This is an old friend in a new dress—and a very neat dress.

The reputation of the work is so well established, that any commendation from us would be superfluous. It is free from those peculiarities of phraseology which render other of Bentham's works sealed books to the great mass of readers.

In this little work,—it is so small that it can be carried in a waistcoat pocket,—in this little work Mr. Bentham maintains that the *rent*, or the *interest*, if you will, of money, ought not to be regulated by law, but left to be settled by free competition, just as men fix the rent of the houses and the lands which they buy with money.

However excellent this argument may be in the abstract, it will hardly apply to such a state of things as exists in the United States, where the lending of money is principally by irresponsible corporations, which have the privilege of making the money they lend. Mr. Bentham had no such state of things as this in view. His argument proceeds on the supposition that the money lent is real money, and that the lenders are private individuals in the enjoyment of no privileges.

Messrs. Manly & Orr, 43 Chesnut street, are the publishers.

PRESBYTERY OF OHIO.

"The Presbytery returned two calls on the ground that the salary promised was incompetent support. By this course we suppose the Presbytery had two objects in view; 1st, to bring up the churches to the competent support of their pastors; and 2d, to cut off all necessity for their ministers engaging in any secular employment."—*Protestant and Herald.*

This paragraph would have received from us but little attention, if we had not, a few hours before seeing it, had a conversation with a gentleman who accidentally mentioned the case of a lawyer residing in Washington, Penn., having a wife, child, and servant, and who lived in comfortable, and as is said "genteel style," in the year 1824, on 400 dollars a year. What is the reason that in the year 1824, four hundred dollars a year would support a lawyer and his family, in the west, and will not in 1841, support a clergyman, perhaps without a family?

BILLS OF SUSPENDED BANKS.

A gentleman from Alabama informs us, that there the people are coming very generally to repudiate all bank notes which are not payable in specie on demand. They have suffered by the depreciation of bank notes, and by the failure of one bank after another, and have been wronged in so many ways by the banks, that they are becoming determined in their resistance to the farther continuance of the fraudulent system. Gold and silver are coming again into circulation, for the people will part with their property for nothing else. A few private banks, paying specie, are getting into operation, which furnish a sound paper currency; but they are not much known.—*Journal of Commerce.*

MISSISSIPPI BONDS.

In a recent correspondence between Governor McNutt and Messrs. Hope & Co., bankers of Amsterdam, relative to the dishonored bonds of Mississippi, the Governor openly declares that neither the principal nor interest of said bonds will ever be paid by the State of Mississippi; and that the holders of them must look to the United States Bank and the Mississippi Union Bank for payment. The State, he says, denies all obligations to pay the bonds held in trust by Messrs. Hope & Co., for the following reasons:—1st. The bonds or mortgages were sold on a credit. 2d. The currency in which the bonds were made payable was changed from current money of the United States to pounds sterling of Great Britain, at the rate of four shillings and sixpence to the dollar. 3d. The contract of sale was fraudulent. 4th. The Bank of the United States was not authorized to make the purchase. 5th. The bonds were sold at less than their par value, in violation of the charter of the bank. "The money paid for these bonds," he goes on to add, "did not come into the State Treasury. The officers of this Government had no control over its disbursements. The bonds were disposed of in August, 1838, by collusion and fraud, in violation of the constitution and laws of this State. The Mississippi Union Bank and the Bank of the United States were parties to this unlawful transaction. You have the endorsement of both these institutions, and to them you must look for payment." The Governor contends that the State has lost by selling the bonds on credit, and by a change of the currency in which the bonds were negotiated from dollars to pounds sterling, $1,048,781.

VIRGINIA.

From that excellent periodical, the Farmers' Register, published at Petersburg, Virginia, we make the following extract:—

The Banks of Virginia, by law, are to resume specie payments next January. But their authorities seem to have no thought of doing so, and have been making no more recent preparation for resumption, than previously, since the beginning of the suspension in 1837. They must count confidently that their present exemption by law from the obligations of faith and honesty is again to be renewed; and will be renewed, session after session. Banks that have not prepared to pay specie in five years, never will prepare. There will be offered the same and as strong reasons to the next legislature, to extend indulgence to their continued bad faith, (*for the benefit of the people, of course,*) as at every previous session; and there ever will be the same and as strong reasons. The plain inference, from the whole procedure, and course of false assertion and argument, is, that the banks and the thorough paper money men go for *the suspension of specie payments as a permanent and general policy.* The promises made and expectations given to the public for resumption of payments are intended merely to deceive and to keep quiet the long suffering and grossly cheated people. A new proof of this intended policy will be seen next winter, when another year of indulgence and impunity to the non-paying and swindling system will be certainly proposed, (and as certainly carried, if the people shall still permit the banks to legislate,) and upon precisely the same grounds that have served for that purpose at every session since May, 1837.

UNITED STATES BANK.

It is said that the Bank of the United States at New York, a branch of the Pennsylvania Bank of the United States, will close in all this month, and the business of the institution be settled up. The Journal of Commerce says:—"The gentlemen who have been its managers, Messrs. Griswold and Alsop, make a good thing of it. They made a bargain with Mr. Biddle while he was in his glory, to act as agents for the U. S. Bank of Pennsylvania during the continuance of its charter, at a certain salary. Now the bank wishes to wind up its affairs and terminate its agencies; but the agents here claim to go on, according to the bond. A suit was commenced in the case, which has been settled by allowing the agents some *two hundred thousand dollars* to give up the contract. The money for the purchase of the lot and the erection of the bank building was furnished by the bank in Philadelphia, and a show of capital made by depositing here a large amount of "loans and discounts," already made, a large part of which still remains as it was when placed here. It will, perhaps, be known now what the peculiar character of this bank was, and its relation to that in Philadelphia, which enabled those who knew, to swear that it was, and was not, until the metaphysicians were confounded. The building, we suppose, has been the real estate in New York referred to in the statements of the mother bank."

We mentioned in our last, that the stock of this institution had fallen from 18 to 17½, but added that "such was the uncertainty of the money market, that it might rise again before we could get our paper to press."

Instead of rising, the stock continued to fall, and on the 5th of August, the day after our last publication, sunk to 14¾, Philadelphia currency. This was lower than it had ever been before. It afterwards rose a little.

The notes of this bank have also undergone an additional depreciation. One day last week when we were in a broker's office, we found that they were at 25 per cent. discount in currency, or 28 in specie. Sales have since been effected at the brokers' board at 23 discount, in currency.

The fall in the price of stock is said to be owing to the English stockholders having thrown shares into the market. The fall in the price of notes is attributed to *a panic*, which has seized the holders of certificates of deposit. These certificates bear interest, and are payable, both principal and interest, in the notes of the bank.

Attacks continue to be made in the daily papers on the new administrators of the bank. Perhaps they are made by some of the old Board of Directors, or at their instigation.

It is said that Mr. Jaudon will return to Europe as agent of the bank.

Mr. Drayton has resigned his situation as President, on account of ill health. And Mr. James Robinson, formerly Cashier of the branch at Richmond, has been chosen in his place. A better selection than this, could not probably have been made.

BANK FAILURES.

Tuesday, August 3, was the day fixed on by the Comptroller of New York, for the sale of the bonds and mortgages deposited with him as security for the redemption of their notes, by twelve of the so-called "Free Banks" of that State. The names of the banks which have failed to redeem their issues, and thus forfeited their securities, are as follows:

Bank of America, United States Bank, Merchants' Exchange Bank, Mechanics' Bank, Erie County Bank, and Phœnix Bank, *all* of Buffalo. Pretty well for one town.

Staten Island Bank at Port Richmond, Cattaraugus County Bank at Randolph, James' Bank at Jamesville, Binghampton Bank at Binghampton, Bank of Lodi in Seneca County, Bank of Olean.

The amounts which the securities brought, as compared with those for which they were pledged, are as follows:—Cattaraugus County Bank—Mortgages on Buffalo property, pledged for $27,600, and sold for $15,225. Bank of Lodi—Mortgages on property in Lodi, Hector and Ovid, pledged for $19,153, sold for $18,086. Erie County Bank—A mortgage on Buffalo property, pledged for $15,500, brought $3,000. Phœnix Bank of Buffalo—Mortgages on Buffalo and Black Rock property, pledged for $13,725, sold for $7,975. Merchants' Exchange Bank, Buffalo—Two mortgages on Buffalo property, pledged for $10,000, brought $6,350. Mechanics' Bank, Buffalo—Mortgages on Buffalo property, pledged for $48,800, sold for $21,235. Bank of America, at Buffalo—Mortgages principally on Buffalo property, pledged for $34,762, sold for $25,245. Such of these mortgages, says the Evening Journal, as were upon improved farms, sold promptly for their face; but upon the mortgages covering unproductive city property, in Buffalo, there were heavy losses.

The securities of the Staten Island and James' Bank, were withdrawn; and it is announced that some new arrangement will be made by these institutions, under which they will continue their business.

BANK RETURNS.

Bank of State of Missouri and Branches, July 1, 1841.

Liabilities.

Capital Stock—	
Owned by State,	$934,226 91
" " individuals,	244,640 00
	$1,178 866
Due Treasurer U. S.,	44,650
Bills payable,	183,000
Due individual depositors,	258,233
Unclaimed dividends,	983
Exchange and interest,	40,666
Contingent fund,	16,524
Circulation,	257,430
Due to banks,	55,908
	$2,036,259

Assets.

Bills discounted,	$859,614
Domestic bills of Exchange,	130,597
Loans to State of Missouri,	275,000
Suspended debt,	148,932
Real estate,	81,984
Expense account,	10,411
Protest account,	198
State of Missouri, (interest on loans and State bonds,)	33,589
Due from banks,	66,130
Bank notes on hand,	156,510
Gold and silver coin,	273,290
	$5,036,259

The Bank of Missouri and its two branches are the only *regular* banking institutions in the State. It has not suspended specie payments. But certain Insurance Companies, and other associations, contrive to give the people of Missouri an idea of the nature of inconvertible paper, by acting as agents for the suspended banks of the neighboring States and Territories.

FLOUR.

It is a fact well worthy of note, that our exports of flour and wheat in 1840, exceeded those of any previous year, and were about *double* the average of the forty years from 1800 to 1839, inclusive. The exports of flour and wheat in 1840, were equal to 1,855,086 barrels. In 1839, they were equal to 942,416. But though the quantity was nearly doubled, the aggregate value was increased but little more than one half. The gross value in 1839, was $7,079,361: in 1840, $10,985,644. This shows the effect increasing the *quantity* of a commodity has on its price—a very plain truth, but one which some people do not seem to understand.

Great as was the quantity we exported in 1840, it was small when compared with the quantity of foreign wheat and flour entered for consumption in England and Wales in the year 1839. It amounted to upwards of four millions five hundred thousand barrels, or more than four times the annual average of our export. In the enormous quantity required for the supply of that country, the reader can discover the reason why a short crop always produces so sensible an effect on

moneyed operations in Great Britain. The whole consumption of the island is estimated at 104 million bushels of wheat, or more than 21 million barrels of flour in each year.

BANK DEFAULTS.

Wm. Wiley, Justice of the Fifth and Eighth Ward Courts of the city of New York, was arrested on the 11th of August, on a bench warrant, and held to bail in three sureties of $10,000 each, to answer the charge of receiving valuables, knowing them to have been stolen from the President and Directors of the Frederick County Bank of Maryland.

In our last, we gave an account of the destruction of the books of the Jacksonville branch of the State Bank of Illinois, and the abstraction of a large amount of money from its vaults. It has since been discovered that Mr. Town, the teller, was the perpetrator of these offences. He destroyed the books that there might be no evidence left of depredations he had long been in the habit of committing. He is said to be of a very respectable family—the son of a Presbyterian clergyman.

Col. Mather, the President of the parent bank at Springfield, received, it seems, an anonymous letter, which disclosed the different places, in and about Jacksonville, where the money was secreted. Unattended by any one, he left Springfield for Jacksonville, and succeeded in recovering all the money but $2,300. He then engaged a conveyance for Springfield, but before leaving Jacksonville, he told certain persons that the affair was *ended*, and that they need not take any further trouble about it, as he had got the money, and was going to take it to the mother bank at Springfield. The secret was too good a one to be kept by those to whom it was confided.

"The citizens, upon hearing the disclosure, were so outraged at not knowing how the money was obtained, or who perpetrated the robbery, that some twenty or thirty of them immediately set out in pursuit of the Colonel, and succeeded in overhauling him, after killing two or three horses in the pursuit. Upon coming up, they took up the order of command, by ordering the Colonel to halt, right about face, march, quick time, and with a guard on either side, the old Colonel, with the stolen fund, was escorted back to Jacksonville. He was taken into a room, followed by some eight or ten stout hearted, chivalrous fellows, who, after laying upon the table divers pistols and bowie knives, demanded of him the name of the person who perpetrated the robbery. Now, it would seem, that the Colonel's courage or pluck is, in some degree, proportionate with his *corporation*, as he did not appear intimidated, but coolly told them that when taken before the proper tribunal and authority, he would then disclose a history of the facts."

A correspondent in one of the Western States, informs us that "Town was looked upon, up to the discovery of the robbery, as a pattern of *sanctity*. The President of the bank, Col. Mather, is much censured for endeavoring to effect the escape of the robber, after the money was recovered."

Wm. McK. Ball, cashier of the branch bank of the State Bank of Arkansas, at Fayetteville, is stated, in the Baltimore Patriot, to have recently absconded to Texas, leaving the bank minus some $64,000. No doubt Mr. Ball is, as well as Mr. Town, of a very respectable family.

The sudden death of one of the tellers of the Canal Bank, New Orleans, caused an investigation into his accounts, which, as far as the examination had proceeded, had, at the date of the last advices, disclosed a deficit of over 80,000 dollars.

A letter from New Orleans, states that the cashier of the Carrollton Bank has been found to be a defaulter in the sum of $30,000.

The writers of the money articles in the New York Herald and Philadelphia Ledger, have, between them, made out the following list of bank defaults, which have recently occurred, or rather been recently discovered.

U. S. Bank, suspended debt, lent to politicians,		$ 20,000,000
U. S. Bank, taken by Officers—no vouchers,		1,200,000
Schuylkill Bank,	Levis,	1.300,000
Manhattan Bank,	Newcomb,	50,000
Do. do.	Officers and family,	500,000
Virginia Bank,	Dabney,	500,000
Georgia Bank,	Barker,	80,000
Frederick Bank, Maryland,		186,000
Norwich Railroad,	President,	10,000
Bank of Louisiana,	Teller,	60,000
Bank of Orleans,	do.	80,000
Canal Bank, New Orleans,	do.	100,000
Bank of Michigan,	Officers,	100,000
Illinois Bank,	Mr. Town,	90,000
Merchants' Bank, Baltimore,	Clerk,	10,000
Tennessee Bank, at Nashville,	do.	7,000
Frankfort Bank,	President,	100,000
State Bank, Arkansas,	Mr. Ball,	64,000
23 New York free banks,		1,500,000
Pennsylvania Bank,	Smith, clerk,	100,000
Western Bank,	Israel, cashier,	15,000
Camden Bank, N. J.,	Peterson, clerk,	13,000
		$ 26,065,000

"These are," says the Ledger, "but a small part of the losses that have recently occurred. That the public may be fully enlightened to the real amount of cost in this particular which the people bear for the *benefits* of paper money, we trust that the press in various sections of the country will make such additions as come within their knowledge and are here omitted."

Governor Wolcott, of Connecticut, in an address to the Legislature of that State, in May, 1826, made some remarks which, if they had been properly attended to, would have prevented many a bank default. We republish them for the benefit of the concerned.

"The stations of president, cashier, teller and book-keeper, are incompatible, and yet some two or more of these are united in the same persons, contrary to established maxims of responsibility, prudence, and even justice to the individuals who are so entrusted. If, at the close of the hours of business in every day, full accounts of all the funds issued, and of securities obtained and discharged, are not immediately stated, their accuracy ascertained, and their results extended into records, which are regularly continued, by persons whose peculiar duty it is made, to note all these facts, according to established forms: then

the transactions of different days will become blended, and soon all individual responsibility will be irrecoverably lost."

INCIDENTS.

A meeting of about 1500 persons opposed to the establishment of a National Bank, has been held in this city. Considering the season of the year, the shortness of the notice given, and other circumstances, this was "a pretty fair turn out," though it embraced but a small portion of those who are opposed to such an institution. Opposition to a National Bank with us is not confined to the hard money men. We have conversed with several gentlemen connected with the local banks, who say they wish not to see a National Bank established, or, at least, not at present.

An association has been formed in Philadelphia of persons opposed to paper money banking.

At the first meeting of the Democratic Delegates of Philadelphia, held August 9th, it was resolved not to consider the claims of any one who shall offer himself as a candidate for a seat in the Legislature, unless he shall first avow himself "opposed to granting any new charter for a monopoly of any description, or to the establishment of a branch of a National Bank within this State, and also to favor the repeal of the charter of any such institution, should it be created, and the discontinuance of all charters as they expire."

On Tuesday, August 9th, the sum of three hundred dollars was abstracted from the pocket of Nicholas Biddle, Esq., as he was standing in front of the Post Office window. If the pocket of Mr. John Smith had been picked in this way, the daily papers would probably have been content to narrate the events in language as plain as that which we have used. But as it was the pocket of Mr. Biddle that was picked, they become quite rhetorical in describing the affair. The Spirit of the Times, for example, calls it "a removal of the deposits," and exalts the pick pocket to the rank and dignity of "a financier." "It is said," remarks the Pennsylvanian, "that when he discovered his wallet was gone, he exclaimed 'I am robbed,' and as 'cool and as calm as a summer's morning,' went to the bank and drew for three hundred more. Great financiers disregard trifles, and in this instance Mr. Biddle displayed his usual philosophy."

It is stated that the Governor has ordered the Attorney General to issue a *quo warranto* against the Kensington and Southwark banks, because they refused to subscribe to the State loan.

The Philadelphia County Prison is at this time crowded to overflowing with prisoners. The number charged with petty larceny, says the Spirit of the Times, was never greater than at present. The Inspectors fear that the prison must become unhealthy, unless some discharges be made.

The attention of the people of the city of New York has been, in some measure, diverted from the prices of stocks, and variations in the value of commodities, by a horrid murder. The victim was a Miss Mary C. Rogers, a beautiful young woman, in humble circumstances. Her body was found on the shore of the North river, at Hoboken, opposite the city, horribly mutilated. A mystery hangs over this murder.

A gentleman of the name of Joseph K. Weed has been trying his hand at financiering on a small scale, in Ulster county, State of New York. He took three genuine notes of hand, amounting in the aggregate to $218 60, and altered them in such a way that he succeeded in drawing from the Banks of Poughkeepsie and Newburg, the sum of $1,918. He then took two genuine notes of hand for $900 each, that had been paid, altered their dates, and presented them for discount. Suspicion was excited, and he fled with his wife and six children, *borrowing* some of a neighbor's horses for the occasion. He took a very devious course, frequently changing his dress and his manner of travelling, but he was finally traced to Ohio city, near Cleveland, in Ohio, where he was arrested, the officer in pursuit having travelled between 2700 and 2800 miles.

Harrington, the late President of the Gallipolis Bank, was, says the Spirit of the Times, sent to jail in Gallia county, Ohio, on the 5th inst., for fifteen years, having been convicted of extensive swindling transactions behind the counter.

CONGRESS.

Congress has been proceeding rapidly of late, so rapidly, indeed, that we hardly have time to say that a bill is under discussion, before we hear that it is passed.

Considering the nature of the subjects they have before them, it may be doubted if the people at large will consider this rapidity quite commendable.

According to a contemporary, the leading measures of the session, are—

1. Distribution bill, giving to the States, per annum, - - -	$ 3,000,000
2. Loan bill, creating a public debt of - - - - - - -	12,000,000
3. Revenue bill, increase of annual tax, - - - - - -	8,500,000
4. Bank bill, borrowing new capital,	30,000,000
5. Bankrupt law, an abolition of new debts, equal to - -	350,000,000

If it were as easy for the people to pay new taxes as it is for Congress to impose them, and if it were as easy to discharge debts, as it is to contract them, this haste might be excusable. But every man of sense knows that additional taxes, though in the disguised form of increase of duties, must diminish the incomes of some members of the community: and as the United States affords the only example on record of a Government that once got fairly into debt, ever getting fairly out of it; it would seem the part of prudence not to rush too rashly into debt again, lest the second experiment might not prove as successful as the first.

But it is useless, we suppose, to reason this subject now. The word has gone forth. The nucleus of a new funded debt is already formed. The script is in the market. And new taxes are to be laid:—laid too in such a manner that no one

can tell the precise effect they will have on existing business arrangements.

The bill for the repeal of "the Sub-Treasury law," which had been previously passed by the Senate, was passed by the House, Monday, August 9th, by a vote of 134 to 87—majority, 47.

Previous to the taking of this vote, the House amended the bill by adding two new sections to it. By the first of these, "the deposit act," so called, is repealed, its 13th and 14th sections only excepted. By the second, those regulations which make it illegal to offer small notes to revolutionary soldiers in payment of their persions, are abrogated.

On Wednesday, August 11th, these amendments were concurred in by the Senate, by a vote of 26 to 23.

THE FISCAL BANK.

The House has, Anaconda like, *swallowed whole* the fiscal bank bill, just as it came from the Senate. Such of the members as did not like it were *gagged*.

Gagging them in the House will not, however, prevent their speaking their sentiments freely when out of it. And one of the dissatisfied, Mr. Irwin, a Whig member from the western part of Pennsylvania, has published a letter, the tenor of which may be judged of from the following extract:

"The determination to vote down all amendments was so rigidly enforced by the majority, that a bill of forty pages passed the House as it came from the Senate, without alteration or amendment in a single feature, sentence, word, or letter! An incident without parallel, perhaps, in the history of legislation. And although the amendments offered were numerous, they had to be voted upon in most instances, without the opportunity afforded for a word of explanation. Nor was the poor privilege accorded to a member of showing to his constituents how he voted on such amendments. The bill passed from the Committee of the whole into the House: the previous question was immediately ordered, and thus the vote by yeas and nays on the amendments was entirely cut off."

This event occurred, Friday, August 6th. The vote was as follows:

Yeas—Messrs. Alford, Allen, L. W. Andrews, S. J. Andrews, Arnold, Aycrigg, Babcock, Baker, Barnard, Barton, Birdseye, Black, Blair, Boardman, Borden, Botts, Briggs, Brockway, Bronson, M. Brown, J. Brown, Burnell, Wm. Butler, Calhoun, Wm. B. Campbell, Thomas J. Campbell, Caruthers, Childs, John C. Clarke, S. N. Clarke, Cowen, Cranston, Cravens, Cushing, G. Davis, Wm. C. Dawson, Deberry, John Edwards, Everett, Fessenden, Fillmore, A. L. Foster, Gamble, Gentry, Giddings, Goggin, P. G. Goode, Graham, Green, Greig, Habersham, Hall, Halsted, W. S. Hastings, Henry, Howard, Hudson, Hunt, James Irvin, James, Wm. Cost Johnson, I. D. Jones, John P. Kennedy, King, Lane, Lawrence, Linn, Samson Mason, Mattocks, Maxwell, Maynard, Meriwether, Moore, Morgan, Morris, Morrow, Nisbet, Osborne, Owsley, Pearce, Pendleton, Pope, Powell, Proffit, Ramsey, Benjamin Randall, A. Randall, Randolph, Rayner, Rencher, Ridgway, Rodney, Russell, Saltonstall, Sergeant, Shepherd, Simonton, Smith, Sprigg, Stanley, Stokely, Stratton, Stuart, Summers, Taliaferro, John B. Thompson, R. W. Thompson, Tillinghast, Toland, Tomlinson, Triplett, Trumbull, Underwood, Van Rensselaer, Wallace, Warren, Washington, E. D. White, J. L. White, Thomas W. Williams, Lewis Williams, C. H. Williams, J. L. Williams, Winthrop, Yorke, Augustus Young, John Young—128.

Nays—Messrs. Adams, Arrington, Atherton, Banks, Beeson, Bidlack, Bowne, Boyd, Aaron V. Brown, Charles Brown, Burke, Sampson H. Butler, Wm. O. Butler, Green W. Caldwell, Patrick C. Caldwell, J. Campbell, Cary, Chapman, Clifford, Clinton, Coles, Cravens, Daniel, R. D. Davis, Dean, Dimock, Doan, Doig, J. C. Edwards, Egbert, Ferris, J. G. Floyd, Chas. A. Floyd, Fornance, Thos. F. Foster, Gilmer, William O. Goode, Gordon, Gustine, Harris, John Hastings, Hays, Holmes, Hopkins, Houck, Houston, Hubbard, Hunter, Ingersoll, William W. Irvin, Jack, Cave Johnson, John W. Jones, Keim, Andrew Kennedy, Lewis, Littlefield, Lowell, Abraham McClellan, R. McClellan, McKay, McKeon, Mallory, Marchand, A. Marshall, T. F. Marshall, J. Thompson Mason, Matthews, Medill, Miller, Newhard, Oliver, Parmenter, Patridge, Payne, Pickens, Plumer, Reding, Rhett, Riggs, Rogers, Roosevelt, Sanford, Saunders, Shaw, Shields, Snyder, Steenrod, Sweeny, Turney, Van Buren, Ward, Warterson, Weller, Westbrook, J. W. Williams, Wise, Wood—97.

FOREIGN NEWS.

At Vienna, the stoppage of the banking house of Steiner, has been followed by that of Guymuller & Co. Their liabilities are reported to be very heavy, and the prospect of recovering much from the assets is said to be small. This stoppage happening so soon after that of the Messrs. Steiner, caused a complete panic in the money market at Vienna; but as the Messrs. Rothschild and other leading capitalists, were freely discounting business paper, confidence was rapidly improving.

N. B. Austria is a paper money country. Its principal bank issues notes of as low a denomination as two dollars fifty cents of our currency.

Lord Sydenham, the Governor of Canada, has a plan for depriving all the incorporated banks of the United Province of the privilege of issuing paper money. His wish is, that there should be but one bank of issue, and that all the profits arising therefrom should go to Government. The incorporated bankers will prove too strong for his Lordship.

It is said that Lord Sydenham, in private conversation, speaks of the United States as "the land of shin-plasters." His Lordship must learn to use more decorous language towards a friendly power, or else expect to be recalled by the Government at home.

CAPTURE OF CANTON.

The capture of Canton by the British, is an event of no small importance. On the 15th of April, they still retained possession of the city. The Chinese tried to frighten them away, by means of lanterns shaped like tigers' heads, but the British would not be frightened.

The chain of cause and effect is longer than many people imagine. The bank convulsion in England in 1825, caused a scarcity of money at the Cape of Good Hope, and bankruptcies in Calcutta. A "great financier" gave the "opium war" as one of the causes of the suspension of specie payments in 1839. He was laughed at, at the time, and perhaps he was disposed to attribute more importance to the cause than it deserved. Yet we do know that one of the oldest and most intelligent merchants of this place, looks upon its dealings in foreign exchanges, and especially its sales of bills on Canton as among the causes that brought ruin upon the United States Bank. Any one may see that it thereby extended its *long* credit operations, and *short* credits are all that a bank can deal in with safety.

Besides this, it is asserted that *moral* reasons were not all that induced his Celestial Majesty to interdict the opium trade. It was, it is alleged, draining the country of specie, and hence part of his horror at the traffic.

Be this as it may, the capture of Canton by the British, must have an important effect on some branches of commerce, and whatever affects commerce, affects banking. We note the event. Its consequences will reveal themselves in due season.

SMALL NOTES.

The Attorney General of Pennsylvania has issued a circular to his deputies, enjoining on them, "on and after the 10th of September next, to institute the proper proceedings against all corporations or persons who have issued and not redeemed, or shall continue to issue, or put and keep in circulation, any bills, notes, checks, tickets, or other evidences of debt prohibited by the acts of Assembly."

The Attorney General "talks like a local preacher" concerning the evils produced by *trash* currency. He accompanies this circular with a copy of his circular of October 10th, 1839, and also with a copy of the Governor's letter to him, under that date. From the circular of October 10th, 1839, we extract the following passage:

"No species of speculation holds out such strong temptation to violate the law as that of manufacturing at will, and paying out bills, notes, tickets, or something that resemble and passes for money. The master motive of human action is appealed to, and the honor and honesty of too many are found to yield. It is generally those of desperate condition, that avail themselves of the opportunity of palming off upon the community large nominal amounts of small notes, during the suspension of specie payments by the banks, because they have little to risk in setting the laws at defiance, and can obtain a circulation for their spurious money, as a substitute for specie, which is withheld from circulation. In the end the imposition is discovered, or the resumption of specie payments takes places, and the citizens, often those least able to bear it, are the sufferers. Similar inconveniences, though not in so great a degree, are experienced by the public, even when small notes are issued by corporations and individuals perfectly solvent, and willing to redeem them.

"They become worthless a few miles from the place where they are issued, or must be passed at a great sacrifice—are soon multiplied to such a degree as to expel much of the better money from circulation, and so debase and taint the currency of the country, as to render its purification and reform extremely difficult, if not impracticable."

GOLD AND SILVER.

We not long since made a small purchase from one of the principal dry goods dealers, in a city which lies some distance south of Philadelphia. After paying him in the currency of that region, we shook a purse, containing a few half-eagles, before his face, and told him "that was the true kind of money." "Ah," replied he, eyeing the purse with a look of affection, "ah, if every man in the country had only one piece of that kind, this would be the richest country in the world." "Why, Mr. Dowlas," we exclaimed, in amazement, "as there are but two or three million men in the country, the whole sum would be no more than ten or fifteen million dollars. You must mean every *person* in the country. Even then, we have, according to the calculations of those who have paid most attention to the subject, taking gold and silver together, nearly five dollars for every man, woman, and child." Mr. Dowlas shook his head incredulously, and thus confirmed what had been told us by a member of Congress from Alabama, namely, "that ignorance of the true amount of gold and silver in the country, and in the world at large, is one of the principal obstacles to bank reform."

The banks have, in some years, if credence is due to their statements, had as much as from forty to forty-five millions of gold and silver in their vaults. The amount in the pockets of the people, or hoarded by them in old stockings, and old chests, cannot be readily ascertained. But from comparisons of the custom house returns of the exports and imports, and from other data, it has been estimated that it would swell the total to eighty millions. Perhaps due allowance has not been made for the consumption of the precious metals in manufactures. Put down the total at seventy millions, and it will amount to four dollars for each man, woman, and child in the nation.

Yet this is but a small sum, compared with what we *ought* to have, and what we *would* have, if the laws of supply and demand were not interfered with. Mr. Gallatin, as we showed in a former number, estimates the whole quantity of gold and

silver in Europe and America, at between four thousand and five thousand million dollars. Taking this as our basis, we have proved that if we had the proportion to which our wealth and population entitle us, the amount would be between five and six hundred millions. Of this, about one hundred and seventy millions should be in coin, and the rest in plate and jewelry.

We may seem to some extravagant in estimating the amount of coin we *ought* to have at ten dollars a head. But "we go for *plenty* of money"—plenty of *real* money.

JOINT STOCK BANKS.

Mr. Gallatin, in his last publication, makes the following judicious observations on the nature of joint stock banks:—

"The present situation of the banking system has proved, but too conclusively, the general inclination to increase immoderately the banking capital and the number of banks; and also the general tendency of all the banks to extend their loans and discounts beyond what prudence and their primary duty would dictate; and it is believed that this defect is inherent in all joint stock banking companies.

"Not only is it the interest of the shareholders, so long as they are not personally responsible beyond the amount of their shares, to obtain as large a dividend as possible, but the evil grows out of the manner in which joint stock companies must be governed. The direction must necessarily be placed in the hands of a few men, who have comparatively but little interest in the bank. Most of them are selected amongst men in active business, in order that they may be able to judge of the solidity of the paper offered for discount; and as they are not paid, it is impossible to expect that they should attend without deriving some compensation for the sacrifice of a portion of their precious time. This may consist in part from the discounts they obtain for themselves, which may always be kept within reasonable bounds. But the power and consideration attached to the office can be obtained only by granting favors; whilst, on the contrary, a refusal renders the directors unpopular. To this may be added a want of sufficient moral responsibility. The honorable merchant, who would feel disgraced by his own individual failure, is not affected by that of the bank of which he may be director. It is well known that this general observation does not apply to bank directors alone, but to all public bodies. Of all the causes, however, which contribute to an improper extent of discounts, the most general and efficient, the most prolific source of the errors of bank directors, is the natural sympathy which they feel for men who are engaged in similar pursuits to their own. It may, upon the whole, be affirmed, that banks, though money lenders, are in fact governed rather by the borrowers than by the lenders."

FREE BANKING.

The observation of Mr. Gallatin on Free Banking, will be a very proper accompaniment to his remarks on Joint Stock Banks.

"The right of issuing paper money as currency, like that of issuing gold and silver coins, belongs exclusively to the nation, and cannot be claimed by any individuals. If it be insisted that Government has no right to part with it, unless it be granted to all, it must be recollected that a right which from its nature cannot be exercised by an individual, is for him a nullity. The right in question can be exercised only by men of wealth, or by impostors. The poor classes cannot enjoy it: the right claimed is only, that all wealthy persons should be placed on an equal footing."

"The proposition, that a paper currency may be issued by all, without any legislative restrictions, appears to be founded on an erroneous application of the principle of free trade. Free competition, in producing or dealing in any commodity, causes a reduction in the cost, or an improvement in the quality of the commodity. In money dealings, the same competition furnishes the use of money, and procures discounts of negotiable paper on the cheapest possible terms. But, issuing a paper currency is not dealing in money, but making money. The object, with respect to such currency, is not to produce a commodity cheaper, or varying in value, but, on the contrary, to furnish a substitute perfectly equal to gold or silver, and therefore of comparatively invariable value. Competition cannot make a cheaper currency, unless by making it worse than the legal coin of which it is the representative. In that case, it becomes analogous to a debased coin; and, if permitted to circulate, the bad generally drives away the faithful currency."

ACKNOWLEDGMENTS.

We are indebted to the Hon. Messrs. Tappan, Benton, Buchanan and Woodbury, of the United States Senate, and to the Hon. Geo. W. Hopkins, of the House of Representatives, for public documents, and other papers.

We are also under obligations to gentlemen at Mulberry Post Office and Carter's Hill, Alabama; Fayette, Mississippi; Decatur, Illinois; Terre Haute, Indiana; Farmington, Kentucky; Cincinnati and Oxford, Ohio; and other places, for additions to our subscription list. We have heard of other places in which lists of subscribers have been obtained, but which have not yet come to hand.

N. B. Subscribers will oblige us by writing their names as distinctly as possible.

We shall hold ourselves under obligations to complete the files of ANY NUMBER of new subscribers, whose names shall be forwarded to us within a reasonable period from the present date.

PRESIDENT TYLER.

The President has signed the bill to repeal "the Sub-Treasury act," and *vetoed* the bill to incorporate a fiscal bank.

The result is, THE REVIVAL OF "THE PET BANK SYSTEM"—the *worst* of all possible systems.

PRICES OF BANK NOTES AND SPECIE.

Saturday, August 14, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	¼ *a* ⅜ dis.	— *a* 2½ pr.
New Hampshire	¼ *a* — dis.	— *a* 2½ pr.
Vermont	¼ *a* — dis.	— *a* 2½ pr.
Massachusetts	¼ *a* ⅜ dis.	— *a* 2½ pr.
Rhode Island	¼ *a* — dis.	— *a* 2½ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 2½ pr.
New York City	Standard.	3 *a* — pr.
New York State	⅛ & ⅜ *a*—dis.	3 *a* — pr.
East Jersey	⅜ *a* — dis.	Par
West Jersey	3 *a* — dis.	Par *a* 1 dis.
Philadelphia	2¼ *a* — dis.	Standard.
Pennsylvania, East	3¼ & 5 *a*—dis.	Par *a* ¾ dis.
" West	3¼ & 5 *a*—dis.	Par.
Delaware	3¼ *a* 3½ dis.	Par.
Baltimore	3 *a* — dis.	Par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	⅛ dis.
Virginia	4 *a* 4¼ dis.	⅛ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	4½ *a* — dis.	2 dis.
South Carolina	2 & 3½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	10 *a* 40 dis.
Alabama	8½ *a* — dis.	9 *a* — dis.
Louisiana	5 *a* — dis.	— *a* 3¼ dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	8 *a* — dis.
Kentucky	— *a* 9 dis.	6 *a* — dis.
Missouri		5 dis.
Illinois	10 *a* — dis.	8 *a* — dis.
Indiana	9 *a* — dis.	7 *a* — dis.
Ohio	— *a* 9 dis.	4 *a* 8 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	3 *a* — pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.00 *a* 16.25	16.30 *a* 16.40
Patriot Doubloons	15.70 *a* 15.75	15.90 *a* 16.00
Spanish Dollars	3 *a* — pr.	4 *a* — pr.
Mexican Dollars	½ *a* ⅜ pr.	3 *a* — pr.
Five Franc Pieces	94 *a* 94½ cents	95 *a* 96
Half Dollars	Par *a* — pr.	2¼ *a* — pr.
BILLS OF EXCHANGE ON		
London	8½ *a* 8¾ pr.	11¼ *a* 12 pr.
France	5.25 *a* —	5.10 *a* —
Holland	39¾ *a* 40	40¼ *a* —
Hamburg	35¾ *a* —	37 *a* —
Bremen	76¾ *a* 77	80 *a* —
Boston	Par *a* ⅛ pr.	3 *a* 3¼ pr.
New York		3 *a* 3¼ pr.
Philadelphia	3 *a* 3¼ dis.	
Baltimore	2 *a* 2¼ dis.	¾ *a* 1 pr.
Richmond	3⅛ *a* 3¾ dis.	⅞ *a* 1 dis.
North Carolina	3½ *a* 3¾ dis.	
Charleston	1¼ *a* 1⅜ dis.	— *a* 1 pr.
Savannah	3¼ *a* 3½ dis.	— *a* 1 dis.
Augusta	6 *a* 15 dis.	
Columbus	15 *a* 16 dis.	
Macon	13 *a* 15 dis.	
Mobile	8 *a* 8¼ dis.	7¾ *a* 8 dis.
New Orleans	4 *a* — dis.	2⅛ *a* 3 dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	12 *a* — dis.	8 *a* — dis.
St. Louis	8¼ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	5 *a* 6 dis.
Cincinnati	8¼ *a* 8½ dis.	— *a* 6 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	8½ *a* 12½	11 *a* 13⅛
Mobile	8½ *a* 12⅛	10½ *a* 13⅛
Upland	8¼ *a* 11¼	9½ *a* 13
Flour, Western Canal, per bbl.	5.59¾ *a* 6.00	
Philadelphia	—— *a* ——	5.75 *a* 6.12½
Rye Flour	3.87½ *a* ——	—— *a* 3.25
Indian Meal	3.62½ *a* 3.75	—— *a* 3.25
Grain—Wheat, per bush	1.30 *a* 1.34	1.28 *a* 1.34
Rye	70 *a* —	58 *a* 63
Corn	76 *a* 77	68 *a* 74
Oats	38 *a* 46	— *a* 41
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 32½	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4 *a* 4⅛	4⅛ *a* 4¼
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	3½ *a* 6	
Kentucky	5 *a* 10½	3 *a* 10
Wool, American, Merino, per lb.	42 *a* 45	38 *a* 40
Common	25 *a* 30	25 *a* 30
Whiskey, Rye, per gal	23 *a* 24	22 *a* 23
Provisions, Mess Beef, per bbl.	9.50 *a* 10.00	10.00 *a* 10.25
Mess Pork, per bbl.	10 00 *a* 11.00	10.00 *a* 10.25
Hams, per lb.	4 *a* 8	5¾ *a* 10
Lard, per lb.	6½ *a* 8½	6 *a* 8
Cheese, per lb.	5 *a* 6	7 *a* —
Rice, per lb.	3½ *a* 3¾	3½ *a* 4

BANK NOTES.

Our authorities are the same as in our last; namely, the New York and Philadelphia Commercial Lists. They give the names of only the principal banks in the more distant States.

To the second number of this Journal, the reader is referred for the names of a number of banks in different States, the notes of which are at a greater or less discount than given in the table. In the prices of these, there has been no great variation.

The following extract from one of the money articles in the New York Herald, is deserving of attention.

"There is a class of paper afloat here, against which we have frequently cautioned the public, and that is the bills of certain banks of the State of Maine, which have been bought up for the purpose of forcing an illegitimate circulation here. The Stillwater Canal Bank we have spoken of heretofore. These are put upon the market by a broker in Franklin Square, and are advertised to be redeemed by Swifts & Co., with whom a small deposite is made by the bank, and they redeem to that extent and no more. The Agricultural Bank of Brewer, Me., is another; the bills are temporarily redeemed at the American Exchange Bank. Also the Bank of Westbrook, Me. These latter bills are at 7 per cent. discount. The public should be cautious of taking any of these bills—the redemption may cease any moment, and the whole be a total loss to the holder, when they will no doubt all be obliged to wind up."

The Philadelphia Price Current of Saturday, the 14th, quotes U. S. Bank notes at 24 per cent. dis. The Public Ledger of Monday, in its account of Saturday's transactions, says, "U. S. Bank notes are bought by the brokers at 22½ per cent. discount for currency, and sold at 21½."

RATES OF EXCHANGE.

There has been a slight rise, both at New York and Philadelphia, in the rates of exchange on England and France. Transactions have been to a moderate extent.

THE STATE OF TRADE.

Business is a little more active than it was when our last paper was put to press; but it is too soon in the season for it to be brisk. The prospects of the fall trade are considered to be fair.

It is said that the importations of British dry goods have been unusually small this season.

THE MONEY MARKET.

In this there has been no change. Money is said to be plenty. By this should be understood, that large amounts of Bank deposits, or what ought to be called *Bank-book credits*, are lying *dormant*. We have little money of any kind except Bank-book credits and Bank paper.

A story is told of an old man somewhere in the west, who boasted that "*money was so plenty* in their region, that bank-notes could be purchased at the rate of *four cents for a dollar*." We have not got to that point yet in Philadelphia.

THE STOCK MARKET.

The State of New York has been trying to negotiate a loan of three million dollars, at 6 per cent. interest, and trying in vain.

Of the United States loan, certain houses in New York and Boston, or more probably certain banks through these houses, have taken $500,000 at 5 2-5 per annum, and $1,000,000 at 5½. The brokers blame the Secretary of the Treasury for not throwing the whole twelve millions into the market, and allowing 6 per cent. interest. The brokers are herein wrong, and the Secretary of the Treasury is right.

State stocks are, with some exceptions, looking up a little. Sales of the following descriptions of stocks were effected at New York on the 6th and 13th at the annexed prices.

			Aug. 6.	*Aug.* 13.
New York State Canal	5	1858	86	85½
" " " "	5	1845	—	89
" " " "	5½	1858	—	92
" " " "	4½	——	—	75*a*80
" " " city water	5	——	—	84½
Illinois "	6	1870	52*a*54	53*a*53½
" "	6	1860	54	52
Indiana "	5	1860	55¼	55*a*55¼
" "	5	sterling	55½	55½
Ohio "	6	1864	93¾	94¼
" "	5	1850	—	99
" "	6	1856	—	94*a*94½
Tennessee "		——	75	65*a*80
Kentucky "	6	50 years	85	85*a*85¼
Arkansas "	6	1868	56*a*60	57*a*60
Pennsylvania	5	1856	78	78

At Philadelphia, on the 14th, some Pennsylvania fives were sold at 84 and 84½.

☞ The remarks on "Banks of Circulation," begun in our last, are concluded on the next page.

Nothing could be prettier than this, if prices could be kept *continually* rising. But it is, unfortunately, only while the amount of bank issues is actually increasing, or for a short time after they have attained their maximum, that society derives this apparent benefit from paper money. In due time the paper affects all articles in nearly equal proportions: and men then discover that for an object of desire for which they had formerly to give one dollar, they have now to give one dollar twenty-five cents, or one dollar fifty; and that it is not more easy to get the one dollar and fifty cents to make the purchase with, than it was formerly to get one dollar. The *value* of land, labor, and commodities, as compared with one another, is the same as it was before. It is only the *money price* that is enhanced.—The effect this has on public prosperity, is much the same as that which would be produced by changing accounts from pounds, shillings, and pence, to federal money. The sum total of dollars would exceed that of pounds, but the articles of the value of which they would be the exponents, would be unaltered in number and in quality.

It would be well if the issues of the banks had no other effect than that of *apparently* increasing the wealth of the community, by raising the money valuation of all kinds of property. But these institutions do not continue their issues long, before they raise the price of some commodities above the price they bear in foreign countries, added to the cost of importation. In foreign countries the paper of the banks will not pass current. The holders of it, therefore, present it for payment. The banks finding their paper returned, fear they will be drained of coin, and call upon their debtors to repay what has been advanced to them. In two ways, then, is the quantity of circulating medium diminished; first, by the exportation of specie; secondly, by the withdrawal of paper from circulation. Prices fall as rapidly as they had before risen. The traders find that the goods in their stores cannot be disposed of, unless at a loss. The different members of society had entered into obligations proportionate to the amount of circulating medium in the days of banking prosperity.—The quantity of circulating medium is diminished, and they have not the means of discharging their obligations. The merchandise, the farms, the houses, for which they contracted debts, may be still in their possession; but the product of the farms will not bring, perhaps, half as much as will pay the interest of the original purchase money; the houses will not rent for as much as will pay the interest on the mortgages; and the store goods must, if sold at all, be sold below prime cost. Bills of exchange are dishonored, and promissory notes protested.—One man is unable to pay his debts. His creditor depended on him for the means of paying a third person to whom he is himself indebted. The circle extends through society. Multitudes become bankrupt, and a few successful speculators get possession of the earnings and savings of many of their frugal and industrious neighbors.

By the reduction of the amount of bank medium, the prices of things are lowered, the importation of some kinds of foreign goods is diminished, and specie is brought back. Then the confidence of the banks is renewed, and they recommence their issue of paper. Prices are raised again, and speculation is excited anew. But prices soon undergo another fall, and the temporary and artificial prosperity is followed by real and severe adversity.

"Such," as has truly been said by Mr. Nicholas Biddle, President of the United States Bank—"such is the circle which a mixed currency is always describing."*

CHAPTER VI.

General Effects of this System.

THE rise of prices that follows an expansion of bank medium, and the fall that follows a contraction, do not affect all descriptions of labor and commodities, at the same time, in an equal degree. The usual effect of an increase of issues, appears to be to raise still higher those articles which are rising from some natural cause; and the effect of a contraction, to sink still lower those which are falling from some natural cause. As Malthus has observed, the tendency of paper money is in some instances to sink prices to their lowest, and raise them in others to their highest point. The natural value no longer regulates exchanges. We had melancholy proof of this effect of contraction in 1820, when, according to Mr. Niles' calculation, the average price of flour throughout the country was only two dollars and fifty cents a barrel. Of rise of prices

* In a chapter to be hereafter published, the reader will find an eloquent description, by this gentleman, of the circle of banking contractions and expansions.

produced by expansions of bank issues, we had striking examples in 1825 and 1831.

Wages appear to be among the last things that are raised by an increase of bank medium. The working man finds all the articles he uses in his family rising in price, while the money rate of his own wages remains unchanged. In the year 1831, which was a year of great expansion, rents rose enormously in many parts of the town, store goods advanced in price, and such fresh provisions as are sold in the market were higher than they had been at any time since the resumption of specie payments; but the money rate of wages was hardly affected.*

If wages are not the first to fall on a contraction of issues, it is because the effects of the contraction fall unequally on different kinds of labor. "Contractions" never proceed far, without breaking up some productive establishments. Some men are thus deprived of employment: they enter into competition with the workmen in other establishments, and finally reduce wages in the branches of business not immediately affected by the curtailment of bank issues.

Hence the complaint we sometimes hear of "all branches of trade being overdone." A great number of enterprises undertaken with a cheering prospect of success when the banks "make money plenty," come to an unfortunate conclusion when the banks "make money scarce." As one man is thrown out of employment, his effective demand for the product of his neighbor's labor is diminished, and he, perhaps, becomes the competitor of his neighbor, instead of his customer. The merchant is compelled to offer his services as a clerk. The master mechanic becomes a journeyman. If a clerk is thrown out of employment, the shoemaker has one good customer less. If twenty clerks are deprived of employment, the shoemaker may find it necessary to dismiss one of his assistants. If twenty shoemakers are without employment, the baker may find his sales of bread materially diminished; and so of all other trades.

If the real wants of the community, and not their ability to pay, be considered, it will not be found that any one useful trade or profession has too many members. The number of educated physicians, for example, is not too great for our population. But not a few physicians remain without employment, while many persons, from inability to pay for medical advice, suffer all the evils of sickness. It cannot be said that we have too many shoemakers, tailors, or cabinet-makers, while multitudes are but indifferently provided with clothing and furniture. But, in one sense, "all businesses" may be said to be "overdone," since all businesses are by this system rendered unprofitable to some who are engaged in them.

On the operations of manufacturers, these contractions and expansions are productive of most pernicious consequences. Expansions of bank medium are always incitements to them to extend their business.—The paper need not be put in circulation by direct loans to the manufacturers. Lending it to such as will buy their commodities has the same effect. Having, by the increase of bank medium, been enabled to sell his goods at an advanced rate, the manufacturer recommences operations with new spirit. So facile is production with modern machinery, that a small rise of prices causes a great increase of cotton and woollen goods. The production of the articles for which these fabrics are ultimately to be exchanged, cannot, unfortunately, be increased with equal facility. Unfortunately, also, the bank medium is soon contracted. There is then a glut of manufactures, and a scarcity of money.

On the operations of the agriculturists, these expansions and contractions operate more slowly, but not less perniciously. Of this we had a memorable example in 1825, when the speculations in cotton (speculations which can be distinctly traced to an extension of the paper system in Europe and America,) caused much corn to be uprooted that cotton might be planted in its place. The consequence was, a glut of cotton in the next year, and a scarcity of corn in some districts of the south.

But, increase of bank medium has the most obvious effect on real estate, as that varies most slowly in value from natural causes. Whenever the banks make money plenty, speculation in real estate is excited, because men are very desirous to possess that which will afford them a permanent revenue. As the custom is to pay only

* This is not the first time this remark has been made.—In the British Bullion Report, made in 1811, the following passage occurs: "The wages of common country labor, the rate of which, it is well known, adapts itself more slowly to the changes which happen in the value of money, than the price of any other species of labor or commodity." Hutchinson, in his History of Massachusetts, vol. ii, page 401, makes a remark which shows that the effect of paper money is, in this respect, the same, whether it is issued by a government or by a bank: "I recollect one advantage from paper money. Upon the depreciation from time to time, the *wages* of seamen, and the rate at which coasting vessels and others were hired, did not immediately rise in proportion to the rise of silver, and exchange with London and other parts of the world."

part of the price agreed upon, and give mortgages for the remainder, a small increase of bank issues produces a considerable rise in the price of immovable property. In Philadelphia and some other large towns, it is the practice with many not to give any money when they purchase building lots, but contract to pay a specified sum annually, by way of ground-rent. Thus, when the currency is plentiful, men enter into obligations, binding themselves and their heirs to pay perpetual annuities: which annuities, when the currency becomes scarce, sweep away half or all their earnings.

A four-story house on Market street, the erection of which cost ten thousand dollars, about the time of the last war, was offered for sale some years afterwards for *five* dollars. Nobody would take it at this price, because the rent the house would bring was not equal to the ground-rent. A few furlongs higher up this street, several three-story houses were bought for a dollar apiece; and the purchaser did not get, for rent of houses and ground together, as much as he had, a few years previous, bargained to receive for the ground alone.

In the less commercial parts of the town, many mechanics took lots on ground-rent, and invested their little savings in houses, which they hoped would be the property of themselves and of their children after them. The bank issues were contracted; and these hard-working men lost the nett proceeds of many years of industry and economy.

Now, the owners of the ground meditated no injustice towards these mechanics. When they fixed the rent of the lots, they supposed they were asking no more than they were worth in perpetuity; and the mechanics supposed they were agreeing to pay no more than they were worth. Their value was correctly estimated, but in a debased currency. If the landlords had abated part of their demand, when a fall of prices took place through the enhancement of the currency, they would have acted on principles different from those which usually govern men of business.

For more than a century it had been the practice with men of limited means to lease lots on perpetual ground-rent, erect houses thereon, and give mortgages for so much of the cost of building as they could not defray without borrowing. There was little risk in entering into these obligations, as both the ground and the buildings rose in value with increase of capital and population. In each succeeding year a portion of the debt was paid off, and the mechanic had, at the end of no long period, the satisfaction of calling his house his own. The mechanics whose melancholy fate we have recorded, were acting on a method which had been successfully pursued from the first settlement of the country. Their only misfortune was, being ignorant of the principles of currency, and having rulers as ignorant as themselves.

In all parts of the Union, except New England, property passed in the same manner from those who had an equitable to those who had only a legal claim to it.—Farms rose in price from fifty to a hundred per cent., and sunk again as rapidly as they had risen. Thousands were reduced to poverty, and a few rose to wealth on the ruin of their neighbors.

It may be said that we are only describing the effects of a suspension and a resumption of specie payments. To this it is sufficient to reply, that occasional suspensions of specie payments are *necessary incidents* of the banking system. Those who fancy that the Bank of the United States would be able to continue specie payments in time of war, forget the fate of the more powerful Bank of England. Twice in the midst of profound peace, has this very Bank of the United States been on the verge of suspending specie payments; and the Bank of England itself was, in 1825, saved from bankruptcy only by the intervention of a Sunday, and by an unexpected supply of gold from the continent.

Suspensions and resumptions of specie payments only make the effects of contraction and expansion more obvious. The money of the country is paper money now, as it was in 1815 and 1816. Its "convertibility" fixes limits on its expansion; but frequent contractions are necessary to keep it "convertible," and these expansions and contractions are followed by very pernicious consequences.

As in the case of all public evils, the system bears with the most hardship on the poor. The rate of wages is, as we have seen, the last thing that is affected by an expansion; and one necessary consequence of a contraction is, to deprive some men of employment. If a rich man cannot sell his merchandise to-day, he can sell it to-morrow; and if he cannot sell it for full price, he can sell it for half-price. But labor is the poor man's only commodity. If

he cannot sell it to-day, it is lost to him forever.

The substantial capitalist is a frequent loser, though sometimes a gainer, by these fluctuations. If his capital is small, and his credit in proportion, it is with difficulty he escapes from total ruin in times of contraction.

The reckless speculator, who has no capital of his own, but who operates extensively on the capital of other people, has much cause to be well pleased with the system. If a loss is sustained by a fall of prices, the loss falls on his creditors, for he has nothing to lose. If there is a gain, through a rise of prices, the gain is all his own.

If the speculator is a bank director, or a favorite with bank directors, happy is his lot. Is there a scarcity of money? It affects not him. Money is made more scarce with other men, that it may be plenty in his pockets.—Whatever may be the condition of others, *he* is enabled to meet his engagements, and to support his credit. He has the means of purchasing the goods and real estate of distressed debtors at reduced prices, and of holding them till prices rise again. A year seldom passes over without an opportunity of this kind occurring, and such opportunities sometimes occur several times in the course of a single year.

In the facility with which these speculators can obtain loans in troublous times, they have another source of profit. In some seasons, they make more gain by discounting notes out of doors, at two, three, and four per cent. a month, than the banks of a city acquire by their regular operations. A "go-between" usually manages these transactions, and the speculator, though generally suspected, cannot be proved to be a usurer: but instances have been known of directors following unsuccessful applicants for "renewals of accommodation out of the banking-house, and then discounting their notes for an extortionate premium. In times of "expansion," men are invited to receive "accommodations" from the banks; and in time of "contraction," these "accommodations" are made the instruments by which they are fleeced of their property.

Much is said against lotteries, and they are certainly great evils. But a lottery, if there is no fraud on the part of the managers, is perfect fairness when contrasted with some of our commercial operations. Some must gain, and some must lose, in every lottery: but if it is fairly conducted, the chances of loss and gain are equal to all adventurers.—In the present great game of banking, in which the fortunes of the whole community are the stakes, the very nature of the game gives great advantages to the managers.

It is no reply to this to say, that bank directors are too high-minded to make an improper use of their opportunities for making money. Bank directors are like other men—some of them good, and some of them bad. The great majority of them are worthy of all respect as private citizens; but even they must, if they are candid, admit that the *system* gives great advantages to some members of the community over others; and it is of the *system* that we are treating.

Nor is this view of the subject altered by the fact, that all the favorites of banks do not become men of great wealth. They have great advantages in the great game of society, but there is a by-game among themselves, and one speculator wins from his fellow-speculator what the latter had gained from the people at large.

Besides this, they are affected, in common with other men, by the various banking processes which make business in general so uncertain as to baffle all calculation. These affect all classes of society. These place us all astride of the see-saw of fortune. Now we go up, and now we go down. The fate of the frequenters of the Parisian gaming house is hardly more uncertain.

These vicissitudes of fortune are most striking in the cases of men of a bold turn of mind, who commence life without capital, and who, not satisfied with the gain acquired by a few years of successful speculation, continue their operations till fortune turns against them. But the regular merchant, the plodding mechanic, and the pains-taking farmer, are not exempted from similar vicissitudes. It is said that in one of the most commercial streets of Philadelphia, there were, a few years ago, but three or four mercantile houses of twenty years' standing, which had not broken once or oftener, been compelled to ask for an extension of credit, or been in some way seriously embarrassed. When we consider that the same causes are now in operation, how many of our present commercial houses may we hope will remain unembarrassed for twenty years to come? No doubt many men will, in that period, retire from business, with handsome estates: but of such as shall continue operations for twenty years, how many will escape the vicissitudes which the present system of things entails on the community?

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, September 1, 1841. No. 5.

This Journal of Banking, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—

Philadelphia—By the Editor, No. 302 Race street.

Mr. G. B. Zieber, *News-vender*, corner of Third and Dock.

Mr. C. Colon, *News-vender*, Chesnut street, adjoining the Arcade, east side.

New York—Mr. W. Hayward, *Stationer*, 89 Division st.

Baltimore—Mr. W. Taylor, *News-vender*, North street.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

THE VETO.

We gave notice in our first number, that it was no part of our intention to lumber our columns with heavy documents. But the President's late message is not a heavy document. It has the rare merit, for an American state paper, of not being inordinately long. Most of our readers must have already perused it in some of the daily or weekly newspapers; but we give it a place in this Journal, as it will be wanted hereafter for reference.

The doctrines of the message have called forth the most violent denunciations from the organs of the stock jobbing interest.

We observed in our last, that the Sub-Treasury act having been repealed, and a veto having been put on the Fiscal Bank bill, "the result is the revival of the pet bank system, the *worst* of all possible systems." The new pet bank system will, however, it may be hoped, be only *a temporary* evil. The Fiscal Bank, *if* the stock should have been taken, *if* it could have been brought into successful operation, and *if* the act to establish it could not have been repealed, would have been a *permanent* evil.

THE BANKS! THE BANKS!

We sometime ago gave a hint to the Boards of Directors of each and every of our nine hundred banks, that they ought to pass resolutions to supply each of their own number, and each President and each Cashier, with one copy of the Journal of Banking.

Will the reader believe it? Not a single bank has complied with this very reasonable request! We have, indeed, Bank Presidents and other bank officers on our list of subscribers, and some banks have, in their corporate capacity, subscribed for one copy each of the Journal; but not one Board of Directors, that we can hear of, has passed the resolution we so respectfully submitted for their consideration.

One Bank President informs us that he brought the subject before his board: but they said, "No, no. The editor of the Journal of Banking is opposed to banks: and we are for them. We will not subscribe." We told the President, that we could not see why difference of opinion on certain points, should prevent a man's subcribing. It might be of interest to him to know what the principles of banking are, as we understand them, and our facts are of great importance. "We wish," said the Bank President, "to have nothing to do with either your facts or your principles."

Here is gratitude! Here are we endeavoring to elucidate the principles of banking, in such a way as to make them intelligible to the humblest capacity, and yet the banks wish to have nothing to do with our principles!

Does any bank officer wish to immortalize himself, as Levis has done? Here we are ready, with pen in hand, to record all his feats of daring in finance; and yet the banks wish to have nothing to do with our facts!

"*THE* CREDIT SYSTEM."

Part of the policy of the supporters of the present inequitable paper money system, has been to dignify it with the title of "*The* Credit System,"—as if there could be no credit except that which is founded on promises which are often made only to be broken. Another part of their policy has been to represent the friends of hard money as opposed to credit in every shape and form. Such as have been deluded by their misrepresentations should read candidly the seventh and eighth chapters of the "Inquiry," which will be found on subsequent pages of this number. As they read them, let them bear the fact in mind, that they were written nearly ten years ago, and then not to meet any exigency which grew out of political controversy.

At that time, it will be seen, that from six to eight hundred persons annually took the benefit of the insolvent laws in Philadelphia. Now we have increased the number to about fourteen hundred.

MESSAGE

From the President of the United States,

RETURNING WITH HIS OBJECTIONS, THE BILL TO INCORPORATE THE FISCAL BANK OF THE UNITED STATES.

To the Senate of the United States:—

The Bill entitled "An act to incorporate the subscribers to the Fiscal Bank of the United States," which originated in the Senate, has been considered by me, with a sincere desire to conform my action in regard to it, to that of the two houses of Congress. By the constitution it is made my duty either to approve the bill by signing it, or to return it with my objections to the House in which it originated. I cannot conscientiously give it my approval, and I proceed to discharge the duty required of me by the constitution, to give my reason for disapproving.

The power of Congress to create a National Bank to operate *per se* over the Union, has been a question of dispute from the origin of our Government. Men most justly and deservedly esteemed for their high intellectual endowments, their virtue, and their patriotism, have, in regard to it, entertained different and conflicting opinions. Congress have differed. The approval of one President has been followed by the disapproval of another. The people, at different times, have acquiesced in decisions both for and against. The country has been and still is, deeply agitated by this unsettled question. It will suffice for me to say, that my opinion has been uniformly proclaimed to be against the exercise of any such power by this Government. On all suitable occasions, during a period of twenty-five years, the opinions thus entertained have been unreservedly expressed. I declared it in the Legislature of my native State. In the House of Representatives of the United States it has been openly vindicated by me. In the Senate chamber, in the presence and hearing of many who are at this time members of that body, it has been affirmed and re-affirmed, in speeches and reports there made, and by votes there recorded. In popular assemblies I have unhesitatingly announced it; and in the last public declaration which I made, and that but a short time before the late Presidential election, I referred to my previously expressed opinions as being those then entertained by me.

With a full knowledge of the opinions thus entertained and never concealed, I was elected by the people Vice President of the United States. By the occurrence of a contingency provided for by the constitution, and arising under an impressive dispensation of Providence, I succeeded to the Presidential office. Before entering on the duties of that office, I took an oath that I would "preserve, protect, and defend the Constitution of the United States." Entertaining the opinions alluded to, and having taken this oath, the Senate and the country will see that I could not give my sanction to a measure of the character described, without surrendering all claim to the respect of honorable men—all confidence on the part of the people—all self respect—all regard for moral and religious obligations, without an observation of which no government can be prosperous, and no people can be happy. It would be to commit a crime which I would not wilfully commit to gain any earthly reward, and which would justly subject me to the ridicule and scorn of all virtuous men.

I deem it entirely unnecessary at this time, to enter upon the reasons which have brought my mind to the convictions I feel and entertain on this subject. They have been over and over again repeated. If some of those who have preceded me in this high office have entertained and avowed different opinions, I yield all confidence that their convictions were sincere. I claim only to have the same measure meted out to myself. Without going further into the argument, I will say that, in looking to the powers of this government to collect, safely keep, and disburse the public revenue, and incidentally to regulate the commerce and exchanges, I have not been able to satisfy myself that the establishment by this government of a bank of discount, in the ordinary acceptation of that term, was a necessary means, or one demanded by propriety to execute those powers.—What can the local discounts of the bank have to do with the collecting, safe keeping, and disbursing of the revenue? So far as the mere discounting of paper is concerned, it is quite immaterial to this question whether the discount is obtained at a state bank or a United States bank.—They are both equally local—both beginning and both ending in a local accommodation. What influence have local discounts, granted by any form of bank, in the regulating of the currency and the exchanges? Let the history of the late United States Bank aid us in answering this inquiry?

For several years after the establishment of that institution, it dealt almost exclusively in local discounts, and during that period the country was, for the most part disappointed, in the consequences anticipated from its incorporation. A uniform currency was not provided, exchanges were not regulated, and little or nothing was added to the general circulation: and in 1820 its embarrassments had become so great, that the directors petitioned Congress to repeal that article of the charter which made its notes receivable everywhere in payment of the public dues. It had, up to that period, dealt to but a very small extent in exchanges, either foreign or domestic, and as late as 1823, its operations in that line amounted to a little more than seven millions of dollars, per annum. A very rapid augmentation, soon after occurred, and in 1833 its dealings in the exchanges amounted to upwards of one hundred millions of dollars, including the sales of its own drafts: and all these immense transactions were effected without the employment of extraordinary means. The currency of the country became sound, and the negotiations in the exchanges were carried on at the lowest possible rates. The circulation was increased to more than $22,000,000, and the notes of the bank were regarded as equal to specie all over the country; thus showing almost conclusively, that it was the capacity to deal in exchanges, and not in local discounts, which furnished these facilities and advantages. It may be remarked, too, that notwithstanding the immense transactions of the bank in the purchase of ex-

change, the losses sustained were merely nominal; while in the line of discounts the suspended debt was enormous, and proved most disastrous to the bank and the country. Its power of local discount has, in fact, proved to be a fruitful source of favoritism and corruption, alike destructive to the public morals and to the general weal.

The capital invested in banks of discount in the United States, created by the States, at this time, exceeds $350,000,000; and if the discounting of local paper could have produced any beneficial effects, the United States ought to possess the soundest currency in the world; but the reverse is lamentably the fact.

Is the measure now under consideration of the objectionable character to which I have alluded?

It is clearly so, unless by the 16th fundamental article of the 11th section it is made otherwise. That article is in the following words:—

"The directors of the said corporation shall establish one competent office of discount and deposit in any state in which two thousand shares shall have been subscribed, or may be held, whenever, upon application of the legislature of such state, Congress may by law require the same.—And the said directors may also establish one or more competent offices of discount and deposit in any territory or district of the United States, and in any state, with the assent of such state, and when established, the said office or offices shall be only withdrawn or removed by the said directors prior to the expiration of this charter, with the previous assent of Congress.

"*Provided*, in respect to any state which shall not, at the first session of the legislature thereof, held after the passage of this act, by resolution or other usual legislative proceeding, unconditionally assent or dissent to the establishment of such office or offices within it, such assent of the said state shall be thereafter presumed: *And provided, nevertheless*, That whenever it shall become necessary, and proper for carrying into execution any of the powers granted by the constitution, to 'establish an office or offices in any of the states whatever, and the establishment thereof shall be directed by law, it shall be the duty of the said directors to establish such office or offices accordingly.'"

It will be seen by this clause that the directors are invested with the fullest power to establish a branch in any state which has yielded its assent; and having once established such branch, it shall not afterwards be withdrawn, except by order of Congress. Such assent is to be *implied*, and to have the force and sanction of an actually expressed assent, "provided in respect to any state which shall not at the *first session* of the legislature thereof, held after the passage of this act, by *resolution* or *other usual legislative proceeding*, *unconditionally* assent or dissent to the establishment of such office or offices within it, such assent of such state shall be thereafter presumed." The assent or dissent is to be expressed *unconditionally at the first session of the Legislature, by some formal legislative act*, and if not so expressed, its assent is to be *implied*, and the directors are thereupon invested with power, at such time thereafter as they may please to establish branches, which cannot afterwards be withdrawn except by resolve of Congress.

No matter what may be the cause which may operate with the Legislature, which either prevents it from speaking or addresses itself to its wisdom, to induce delay, its assent is to be implied. This iron rule is to give way to no circumstances—it is unbending and inflexible. It is the language of the master to the vassal—an unconditional answer is claimed forthwith: and delay, postponement, or incapacity to answer, produces an implied assent which is ever after irrevocable. Many of the state elections have already taken place, without any knowledge, on the part of the people, that such a question was to come up. The representatives may desire a submission of the question to their constituents preparatory to final action upon it, but this high privilege is denied, whatever may be the motives and views entertained by the people to induce delay, their assent is to be presumed, and is ever afterwards binding, unless their dissent shall be unconditionally expressed at their first session, after the passage of this bill into a law. They may by formal resolution, declare the question of assent or dissent to be undecided and postponed, and yet in opposition to their express declaration to the contrary, their assent is to be implied. Cases innumerable might be cited to manifest the irrationality of such an inference. Let one or two in addition, suffice. The popular branch of the Legislature may express its dissent by a unanimous vote, and its resolution may be defeated by a tie vote in the senate, and yet the assent is to be implied. Both branches of the Legislature may concur in a resolution of decided dissent, and yet the Governor may exert the veto power conferred on him by the state constitution, and their legislative action be defeated; and yet the assent of the legislative authority is implied, and the directors of the contemplated institution are authorised to establish a branch or branches in such state whenever they may find it conducive to the interest of the stockholders to do so; and having once established it, they can under no circumstances withdraw it, except by act of Congress. The state may afterwards protest against such unjust inference, but its authority is gone. Its assent is implied by its failure or inability to act at its first session, and its voice can never afterwards be heard. To inferences so violent, and as they seem to me irrational, I cannot yield my consent. No court of justice would or could sanction them, without reversing all that is established in judicial proceeding, by introducing presumptions at variance with fact, and inferences at the expense of reason. A state in a condition of duress would be *presumed* to speak, as an individual, manacled and in prison, might be presumed to be in the enjoyment of freedom. Far better to say to the states boldly and frankly—Congress wills and submission is demanded.

It may be said that the directors may not establish branches under such circumstances. But this is a question of power, and this bill invests them with full authority to do so. If the Legislature of New York or Pennsylvania, or any other state, should be found to be in such condition as I have supposed,

could there be any security furnished against such a step on the part of the directors? Nay, is it not fairly to be presumed that this proviso was introduced for the sole purpose of meeting the contingency referred to? Why else should it have been introduced? And I submit it to the Senate,—Whether it can be believed that any state would be likely to sit quietly down under such a state of things? In a great measure of public interest their patriotism may be successfully appealed to, but to infer their assent from circumstances at war with such inference, I cannot but regard as calculated to excite a feeling of fatal enmity with the peace and harmony of the country. I must therefore, regard this clause as asserting the power to be in Congress to establish offices of discount in a state, not only without its assent but against its dissent: and so regarding it, I cannot sanction it. On general principles the right of Congress to prescribe terms to any state, implies a superiority of power and control, deprives the transaction of all pretence to compact between them, and terminates, as we have seen, in the total abrogation of freedom of action on the part of the states. But further, the state may express, after the most solemn form of legislation, its dissent, which may from time to time thereafter be repeated, in full view of its own interest, which can never be separated from the wise and beneficient operation of this government, and yet Congress may, by virtue of the last proviso, overrule its law, and upon grounds which, to such State, will appear to rest on a constructive necessity and propriety, and nothing more. I regard the bill as asserting for Congress the right to incorporate a United States Bank with power and right to establish offices of discount and deposit in the several States of this Union with or without their consent, a principle to which I have always heretofore been opposed, and which can never obtain my sanction. And waiving all other considerations growing out of its other provisions, I return it to the house in which it originated with these my objections to its approval.

JOHN TYLER.

Washington, August 16, 1841.

BILLS OF SUSPENDED BANKS.

In different parts of Georgia, the people are passing resolutions to receive the bills of suspended banks, at only their current or market value. The movement commenced at Macon, and is called the "Macon specific." The following notice appears in the Augusta Chronicle:

"*Public Notice.*—In consequence of the great inconvenience and loss attending the circulation of a depreciated and fluctuating currency; believing it to be the interest equally of the planter, as of the merchant, to have a sound currency of uniform value; and believing that this can be secured only by encouraging the circulation of the notes of such banks as pay specie for their issues, promptly, to all demands; and also believing that it will result to the material interest of the whole State; by reducing the price of merchandise, and enabling the planter to receive a sound circulating medium for his crop, the undersigned, merchants, factors and citizens of Augusta, have determined that from the opening of the fall market, for the present growing crop, say after the first of October next, they will not receive in payment, or pay out, the bills of any of the suspended banks, except at their current market value, taking the bills of specie paying banks as the standard. [Signed by 134 commercial firms, factors and citizens of Augusta.]

NEW HAMPSHIRE.

The Legislature of New Hampshire, at its last session, passed an act prohibiting any Bank Director from being indebted to the bank of which he is Director, for a greater amount than fifty per cent. of the stock he may hold: and any Cashier of any bank, from being indebted to said bank, in any manner whatever, except upon his bond given for the faithful performance of his duty as said Cashier.

If any director of any bank in New Hampshire, *being a subscriber to this Journal*, wishes to borrow more than the Act of Assembly allows, we can inform him how he can accomplish his object, without infringing the law. Letters, *post paid*, will be duly attended to, and regarded as strictly confidential.

TO THE PHILADELPHIA READER.

GENTLE READER,—

When you next walk up Chesnut street, please to cast a glance at the house belonging to the estate of the late Pierce Butler, at the north-west corner of Chesnut and Eighth streets. Do not pretend you cannot see it. It is one of the most stately mansions in the city; and has, on the east and north, a spacious and beautiful garden.

That house was built by an English gentleman, who, it is said, brought with him to this country eighty thousand pounds sterling. He speculated in Morris and Nicholson lots. He lost his all. He spent his last years in the Alms-house; and there he died.

Now, reader, from this take warning. If you have eighty thousand pounds sterling, or eighty thousand pounds currency, or eighty thousand dollars, or eighty thousand cents, or eighty thousand mills, be cautious in what manner you make your investments.

BANKS AS CORPORATIONS.

In this number, we commence a chapter on banks as corporations. In it is found the remark, "that corporations are so powerful as frequently to bid defiance to government." How many examples have we had of this truth since that sentence was penned.

☞ The dissertation on "THE TRUE PRINCIPLES OF COMMERCIAL BANKING," is continued on the next page.

Section IV.

In our own country banking has never been conducted on purely commercial principles. The very commencement of the system with us placed it on a wrong foundation.

There is reason to believe that the *whole* of the original capital of the Bank of North America was furnished by the Government. It is certain that its notes were received in payment of taxes, and equally certain that thereby a greater demand was created for them than the mere purposes of commerce required. The supply was, of course, made to equal the tax-paying as well as the commercial demand; and the consequence was that the due proportion of currency to commodities was not preserved. The abundance of bank issues excited the spirit of speculation. But as a large part of these issues were not based on commodities, the bank was, when the time for redeeming them arrived, forced to make a great and sudden pressure on the community, whereby an excitement was produced which was near depriving the said bank of all future power to do either good or evil.

The framers of the Federal Constitution intended that we should have a hard money government; and the first revenue law that was passed, seemed to be so framed as to carry this intention into effect. It declared explicitly that all duties imposed by the act should be paid "in gold and silver coin only." Words could not be more plain. But the first Secretary of the Treasury (strange as it may seem) construed these words so as to allow bank notes *having not more than thirty days to run* to be received in payment. His next proceeding was (without any authority from law) to deposit these notes in the banks, and leave the country without the independent treasury contemplated by the Constitution. He then proceeded to organize a bank with certificates of public debt for its capital; and by thus completing the union between Bank and State, exposed currency and credit to all the evils incident to derangements in our fiscal operations.

This state of things lasted till the year 1811, when this union was dissolved by the expiration of the charter of the first United States Bank, but only that a new union might be formed with certain State Banks selected as depositories of the public funds.

War was declared in 1812, and, in utter defiance of all correct principles of finance, attempts were made to carry it on by means of loans of bank notes, instead of drawing on the real resources of the country. The consequence was, that all the banks which made such loans were forced to suspend specie payments, and the very capacity of the Government to borrow in the regular way, was exhausted in little more than two years, and when it had thus borrowed little more than forty-five million dollars, or little more than three per cent. per annum of what was then the gross income of the people.

Then came peace, and a mode of financiering was adopted, the main principle of which consisted in exchanging treasury notes, many of which bore interest, for bank notes and bank credits which bore no interest. This admirable policy induced the banks still further to depreciate the currency by additional emissions, and though the treasury was thus made to overflow, it overflowed with money, if money it might be called, which could answer the purposes of neither the Government nor the people.

The evils of this state of things were intolerable: but instead of attempting to correct them, by putting in force the existing laws, a new National Bank must be established with a paper capital, issuing paper receivable in dues to Government. Specie payments were then restored, but in such a way that the resumption was worse than the suspension.

In 1821, the rates of exchange in the Middle States were brought into something like regularity; but as industry was prostrated, and enterprize paralyzed, there was no such increase of commodities as to require an increase of currency. The Bank of the United States, however, sought to find employment for its now, as was thought, well established credit, in a loan of four millions to Government. The consequence of this departure from true banking principles, was an excitement of the spirit of speculation, which was followed in the next year by a fall of prices and by numerous bankruptcies.

In 1824, the Bank of the United States repeated its error by making a loan of ten millions to Government; and this it really was which, in the next year, brought it and all the other banks in the country, to the very verge of suspending specie payments.

DEACON GRABALL'S DIARY.

It was intimated in our first number, that application had been made to Deacon Graball, for some passages from his Diary, for publication in this Journal, and that, though his reply was rather equivocal, hopes might be entertained that he would ultimately accede to our request.

The Deacon has at length yielded to our earnest solicitations; but he makes it a *sine qua non*, that we must first republish such extracts as have already appeared in the Democratic Review. We have begged hard for "original," but he says that the extracts in question will, to ninety-nine readers in a hundred, be "as good as original," and that without first reading the extracts that have already been published, such parts of his Diary as still remain in manuscript cannot be properly understood.

Still pushing our request for "original," the Deacon has bid us "not forget the immense distance there is between an editor and a bank director. Heretofore," he says, "he has had only to intimate his wishes to Journalists, and they have been immediately complied with. The London Times, the leading paper of Europe, republished the extracts from his diary, *whole columns at a time*, without so much as his asking it: and he thinks it very strange that the editor of the Journal of Banking, a paper just starting into existence, should not joyfully comply with the condition he prescribes, especially as the said editor is soliciting additional favours from him."

We assure the Deacon that we are duly sensible of the difference between an editor and a bank director. We feel it in our pockets. And, as in duty bound, we commence to-day the republication of the "extracts," hoping that the "additional passages" will be furnished in due season.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

Monday. Had just finished my breakfast, when Mr. John Jones called at my dwelling, to beg I would use my influence with our board, to prevent a note of his from being thrown out. Mr. Jones pleaded very hard—said his credit would be ruined if this note were not discounted. He proved to me very satisfactorily that he owns twice as much as he owes, and is only pressed for a little ready money. Assured Mr. Jones that I would do all in my power to serve him. When the board met, and Mr. Jones's note came under consideration, I mentioned that I had great respect for the offerer, who was one of my most particular friends, and one for whom I would go all lengths that I could, with propriety, to serve. But, as a member of a directory to which the little property of orphans and widows was intrusted, I felt it my duty to state that I had undoubted information that my friend's credit was at this moment in a very ticklish condition. Did not doubt, however, that he would ultimately pay every body, and have something handsome left; and as he had usually a very large deposit in our bank, I hoped the board would take this into consideration, and not suffer the credit of so meritorious a merchant to sink for want of a little timely assistance. Mr. Snatchpenny, chairman of the discount committee, said that, as I was a particular friend of Mr. Jones's, I would probably be willing to guarantee the bank from loss. Astonished at such a proposition, and frankly told Snatchpenny as much. Friendship is one thing—business another. Sorry to say that, notwithstanding all my endeavours, the board threw out Jones's note. However, we had no sooner adjourned, than I went to the first teller, and took up the amount on a memorandum check of my own.

As I passed out of the bank door, found Jones waiting on the steps in great anxiety. Told him of my bad luck in as circumspect terms as possible; but the poor fellow was near sinking to the earth. Did all I could to comfort him, but he refused to be comforted. He spoke of his wife and children, and of the loss of all his earnings and savings, the result of many years of toil and trouble. Could not bear to see him so distressed, and therefore told him that, though exceedingly pressed for money myself, I would speak in his behalf to a friend of mine, who occasionally had money to lend, and he must make the best bargain with him he could. Referred him accordingly to Mr. Sharpsucker, my private broker, taking care to have first an interview with Sharpsucker, to be sure that my benevolent intentions should not be frustrated.

In the afternoon met Jones, and found him very grateful. Was sorry to learn from him, however, that Sharpsucker had himself to borrow the money, and therefore could not let him have it at less than three per cent. a month. But this, as Jones himself says, is a trifle in the present condition of his affairs.

I have done a good day's work. I have done my duty to the bank, to myself and family, and to my friend.

Tuesday. Nothing particular at the Exchange or at the bank to-day; but in the evening there was a social little party of one or two hundred friends at my mansion. Among them was our beloved pastor, the Rev. Dr. McThwackem, with whom I had a most interesting conversation. As the Doctor was once Professor in a University, and as he is as distinguished for his erudition as he is for his piety, I took occasion to ask him the exact meaning of the word *specie*, and was pleased to learn from him that the popular use of the word is entirely unauthorized by any classical authorities. The true word, the Reverend Doctor says, is *species*, which, in a secondary sense, is equivalent to the vernacular *sorts*. As language deteriorated, men began to speak of species of coin, as philosophers sometimes spoke of species of things; but not knowing exactly what philosophers meant by species of things, the vulgar herd misapplied the term, and further corrupted speech by an ellipsis "of coin," and dropping the final *s* in "species." To a man of true classical taste, the Reverend Doctor said, nothing could be more offensive than a word thus extruncated and misapplied, and in this I perfectly agree with him. "Species," and consequently "specie," has its root in a Latin word which (the Doctor says) signifies to see, and therefore *species*, *specie*, and

specious, correspond very nearly, in their primitive acceptation, with *idea* and *ideal*, the two latter being derived (the Doctor says) from a Greek word which has the same signification as the Latin radical of species. The original application which philosophers made of these terms, was strikingly indicative of their affinity of meaning; *species* being, in the science of logic, a special *idea*, and sometimes denoting mere appearance to the senses, or mere visible or sensible representation. The Reverend Doctor is decidedly of opinion that, for purity of language, with which purity of morals is closely connected, it is necessary to restore the primitive sense of the word *specie*, if not the primitive spelling. All analogy is shocked by the vulgar use of this dissyllable; the true meaning of which is, however, still retained in its cognates *specious* and *speciously*.

Nothing could be more lucid than the reverend gentleman's illustrations; and his arguments were perfectly conclusive. This encouraged me to ask him the true meaning of the word *bullion*. He said it was a downright vulgarism which few scholars thought worthy of any attention. The French word *billon*, a kind of base metal or base coin, was evidently related to it; but it was altogether too base a word to have an etymon in respectable Greek or Latin. Its root, if to be found anywhere, was, perhaps, to be found in *bulla*, a word of the corrupt Latin of the middle ages,* which word might be rendered into English by either *ball* or *bubble*, a bubble being literally a little hollow ball. "Recollecting," continued the Reverend Doctor, "the connection there is between *bullion* and the *bulls* of the Roman see, I never hear the word mentioned without experiencing the most painful emotions. The Popish edicts take their name of *bulls* from a little ball of gold attached to each, called *bulla* in monkish Latin. Hence the English word *bullion*. The bare sound makes me tremble, for it immediately causes my mind to revert to the little balls of gold attached to the Popish bulls, thence to the contents of those bulls, and thence to the horrible designs many entertain of subverting our Protestant liberties by bringing in the Pope, and it may be the Pretender also."

Well may you tremble, my beloved pastor. The evident intention of the hard-money men is to bring us back to the condition of the dark ages.

Wednesday. I was early at bank this morning, for this is the day for preparing our annual return to the Legislature. Cashier in trouble,—circulation above a million—gold and silver coin in vaults of too small an amount to be mentioned except to particular friends. Asked cashier if he could not borrow from other banks for the day, to be paid back to-morrow. Said he had already borrowed as much as he could from every bank and broker for five miles round, and that to get what he had got, he had been obliged to promise to pay back to-day instead of to-morrow, and also to lend every pistareen he had to three several banks in succession, before three o'clock this afternoon. How very embarrassing these returns to the Legislature sometimes prove! I wished to know if the difficulty could not be got over in the old and approved way of putting specie and specie funds together, and including bills of exchange among the latter; but learned that the directors had taken out so much money on various memoranda, purporting to be promises to pay on demand, that the bank had not been able, during the last six months, to purchase a single real bill of exchange. One of the board suggested that the notes of other banks on hand, and sums due from other banks, being *as good* as specie, might be put down *as* specie. Cashier said if he took too much from these accounts, the return, though it would look very fair in the eyes of the Legislature, might excite suspicion in the minds of "great financiers" in other banking institutions. Besides this, as a conscientious man, he should not like to swear to such an account. Mentioned to cashier my conversation of last evening with his beloved pastor and mine. The whole board loud in their praise of the Rev. Dr. McThwackem's piety and patriotism; but cashier, though perfectly satisfied that there is a Popish plot at the bottom of the schemes of the hard-money men, a little dubious as to the true meaning of the word *specie*. Said, however, that *if* he could be convinced that *specie* meant much the same as *specious* and *speciously*, he could make out a very fair account, for then he could include the memoranda checks of the directors among the specie.

Sent for Webster's large dictionary, and read to cashier the following explanations of the word, omitting the first, second, fourth, eighth, ninth, and tenth meanings, they not being essential:

"SPECIES [L. from *specio*, to see.]

"3. In *logic*, a special idea, corresponding to the specific distinction of things in nature."

"5. Appearance to the senses; visible or sensible representation.

"6. Representation to the mind.

"7. Show; visible exhibition."

Cashier perfectly satisfied, except as to whether *species* and *specie* were not different words; therefore read to him *a part* of what Webster says under the eighth head, namely,

"In modern practice this word is contracted into *specie*."

Cashier convinced, and at the same time delighted. Says he shall never more have any difficulty in making up his annual returns. Memoranda checks are the *real* specie; for, if they are not "a special idea," they are certainly "an appearance to the senses—a visible or sensible representation—a representation to the mind—a show—a visible exhibition."

Mr. Snatchpenny proposed that, to make the *specie* in our bank a round half million, we should each take up an additional amount on memoranda checks, allowing the cashier to share equally with the directors. Nothing could be fairer, and the conscientious scruples of cashier being entirely removed, he went immediately before a magistrate and made oath to the return, agreeably to the provisions of our charter.

* It is with great diffidence we venture to dissent from so high an authority as Dr. McThwackem, but we must be permitted to observe that the word *bulla* is used by Virgil, and other writers of the Augustan age.—EDS. OF DEM. REVIEW.

UNITED STATES BANK.

When we stated in our last that Col. Drayton had resigned the presidency of this institution, on account of his age and infirmities, we repeated what was said in the daily papers. The state of his health would, under any circumstances, have prevented his holding the office long; but it is whispered in private circles, that the cause of Col. Drayton's resigning at this particular juncture, is to be found in the reappointment of Mr. Jaudon as agent for the bank in London. For the same reason, it is stated, that Mr. M. Kempton and Mr. Rawle have resigned their places in the board.

We have for many years been acquainted with Mr. James Robertson, the successor of Col. Drayton as president of the bank. He was once a merchant of this city, and as such sustained an unblemished character. When a member of our State Senate, he showed himself a sound political economist, opposing the incorporation of coal companies, and the establishment of other monopolies. He was subsequently cashier of the branch bank at Richmond, and as he conducted its business on *commercial principles*, he hardly made a bad debt during the period of his cashiership. If he had been Mr. Cheves' successor, the bank would never have been broken. It may be beyond his power, or beyond that of any one else, to save any thing for the suffering stockholders, but we are fully persuaded that whatever can be done, will be done by Mr. Robertson. Himself and his immediate friends have a deep stake in the bank.

He has been blamed for not imitating the conduct of Messrs. Drayton, Kempton and Rawle, and immediately resigning his situation at the board. We have had no intercourse, either direct or indirect, with Mr. R. since his appointment to the office of president, and cannot, therefore, say what may have been his motives for acting differently from some of his colleagues. We have, however, learned from another source, that the reappointment of Mr. Jaudon as agent in London, was *a matter of necessity*, as the affairs of the bank in Europe are so complicated that nobody but he can understand them! If this be so, it does not speak much in favour of the wisdom of the agent. A really good agent would have kept the affairs of the bank in such way, that *any body* would have been able to understand them.

Fears have been expressed that the new president will be too much under the influence of certain members of the old directory. It is the duty of the stockholders, and they will find it their interest, so to sustain the new president as to enable him to act an independent part. We wish not to see the bank resuscitated, (to resuscitate it is indeed impossible,) but we should be much pleased if every creditor could be paid in full, and something saved for the stockholders, the condition of many of whom is such as to call for commiseration.

While we write, ten dollars in Philadelphia currency cannot be obtained for the stock of the bank, and there is little chance of its rising "before we can get our paper to press." Some sales of notes of the bank have been made at a discount of 30 per cent. currency, equal to 32½ specie. But these were extreme cases. About 27 per cent. may be quoted as the average.

The claim of the bank against Mr. Biddle has, it is said, recently been reduced, from about one million dollars, to $249,000. Some persons think that this is only a preliminary to the entire abandonment of the suit.

Considerable excitement has been occasioned by a publication in the Public Ledger, giving a narrative of the manner in which the charter for the bank was obtained from our State Legislature. Among other things, we have what purports to be a bill for tavern expenses, incurred by the agents of the bank when at Harrisburg. Supposing it to be genuine, it shows that the agents of the bank, and also such members of the Legislature as were in the habit of visiting them, were fond of good eating and drinking. What harm is there in that?

Then we have what purport to be receipts from the agents to the bank for money paid by the bank in requital for services rendered by the agents. Two of the gentlemen appear from these receipts, to have got ten thousand dollars each. The third does not appear to have been so well paid.

Then one of the members of the Legislature from this city, is openly charged with having received from the bank, though in rather an indirect way, the sum of seven or twelve thousand dollars, for services rendered on that momentous occasion.

Till the accused shall have an opportunity of exculpating himself, we abstain from the mention of further particulars.

BANKRUPTS IN AMERICA.

Mr. Senator Tallmadge estimates the number of bankrupts in the United States at five hundred thousand; and the editor of the Philadelphia Gazette, estimates the number of persons now lying in the prisons of the United States, for debt, at sixty thousand. If these estimates are not too great, they afford beautiful illustrations of the paper money system which Mr. Tallmadge and the editor of the Gazette so cordially support.

BANK RETURNS.

Banks of Louisiana, 1841.

	July 31.	May 1.
Discounts and loans, pledges of stocks,	1,002,286	1,323,613
" " " by property banks,	9,291,064	9,287,123
" " " real estate, &c.,	35,659,293	37,793,798
Balances due by foreign bankers,	1,366,065	1,543,579
Domestic bills, and notes of other banks,	823,224	1,871,492
Balance due to and from banks of other States, Dr.	951,766	1,909,983
Balance due to and from banks of other States, Cr.	154,625	1,318,541
Liabilities not expressed	4,507,933	3,312,825
Assets " "	982,442	1,134,189
Deposits,	6,306,969	8,497,507
Circulation,	6,822,648	8,849,883
Deduct notes held by banks,	1,414,904	1,358,377
Actual circulation,	5,407,744	7,491,506
Specie in the vaults,	2,912,654	3,406,108

Some quarrels of the banks of Louisiana with one another, will, it is supposed, hasten the resumption of specie payments at New Orleans. Then will come the trying times, if, as is stated, some of the banks are in a sound, and others in a very unsound condition.

The banks have in three months, reduced their immediate liabilities upwards of four millions of dollars. This may have been caused in part by the dullness of business in New Orleans during the summer season. And it may have been occasioned in part by the disposition some of the banks may have to resume specie payments.

BANK FAILURES.

An injunction has been served on the Bank of Mineral Point, Wisconsin, and, according to the Galena Advertiser, the concern closed.

The Bank of Steubenville, Ohio, suspended banking operations on the 11th ult., and assigned all its effects to three trustees, to collect all dues and pay all demands as speedily as possible.

The Ohio Statesman says that the Bank of West Union, in that State, "is at last closed, and hundreds of thousands of its bills have been thrown on the hands of the holders as worthless."

Injunctions have been served on the Chatahoochie Rail Road, and Bank of Columbus, Georgia.

The Union Bank of Montreal, broke, at its agency in Wall street, New York, on Wednesday, August 27th. A considerable quantity of its notes were, as is usual in such cases, in the hands of the laboring population.

BANK DEFAULTS.

We stated in our last, that no doubt Mr. Ball, the absconding Cashier of the Fayetteville branch of the State Bank of Arkansas, was of a highly respectable family, as well as Mr. Town, the defaulting teller of the Jacksonville branch of the State Bank of Illinois.

Our conjecture has been verified. The editor of a journal published at West Chester, Pennsylvania, states that Mr. Ball is a native of Newcastle county, Delaware. He studied law in the office of Mr. Darlington, in West Chester, and so excellent was his conduct and character while residing in that borough, that the editor thinks there must be some mistake in what is related of his doings in Arkansas.

There may be more than one man in the country, bearing the name of Wm. McK. Ball. And all bearing the name may at one time have borne a good character, and been correct in principle. But as our American banking system is the most efficient of all systems in converting honest men into rogues, they may all have fallen victims to its demoralising influences.

There is no mistake about the character of the doings in Arkansas, whoever was the author of them.

Farrington, or Harrington, (the newspapers spell the name in both ways,) the late President of the Gallipolis Bank, created quite an excitement in the towns through which he passed, on his way to the Ohio Penitentiary, at Columbus. He had been convicted of forging bills of exchange. The people were at a loss to know how it was possible to convict a bank president of any thing; and as he was accompanied by a lawyer, who was using every stratagem to get him off, they seemed to think that though the law had got hold of him, it would not be strong enough to hold him. So it proved. His lawyer proceeded to Cleveland, and obtained from the Supreme Court leave for a new trial in Gallia county, on a writ of error, and the bank president was immediately released from imprisonment.

Merril B. Sherwood, who got up the Gallipolis Bank, and who, to use the *very uncourteous* language of some of the papers, *swindled* the State of Indiana out of 540,000 dollars, "it is stated, on the best authority, has left the country, taking with him TWO HUNDRED THOUSAND DOLLARS, the proceeds of the Indiana bonds," and also a very fine young lady, to whom he had as little right as he had to the money. As the story goes, he did our goodly city of Philadelphia, the honor to select it as his port of embarkation, taking passage in the ship Renown, for Hamburg.

According to one of our exchange papers, the Middlesex Reporter, published at Waltham, Massachusetts, he is quite a "distinguished man," having in addition to getting up the Gallopilis Bank, and swindling the State of Indiana out of 540,000 dollars, also "got up the Erie County, (N. Y.,) Bank, and purchased the Dry Dock Bank," of New York city. The same paper adds that he has left his wife and children in Buffalo, to shift for themselves.

CONGRESS.

A bill to re-charter the Banks of the District of Columbia, for three years, has passed both Houses.

The Bankrupt bill has also passed both Houses. It goes into operation on the 1st of February next. On the final question in the House, the votes were—yeas, 111; nays, 106.

The Senate has passed the Land Distribution bill, with an amendment, declaring that the distribution shall cease whenever the duties on imports shall exceed 20 per cent., ad valorem, as prescribed by the compromise act of March, 1833.

THE FISCAL BANK.

The message of the President, containing his objections to the bill, was read in the Senate on Monday, August 16th. Some symptoms of disapprobation were expressed by the galleries, but the decided course taken by Mr. Benton and other Senators, prevented any great disorder.

The Senate postponed from day to day the consideration of the message and of the bill, till Thursday, August 19th, when, after a discussion of about five hours' continuance, the vote was taken. The yeas were 25, the nays 24. There not being the constitutional majority of two-thirds, required in such cases, the bill could not be sent to the House for its concurrence.

On the next day, Friday, Mr. Sergeant, of the House, reported a new bill, substituting the name of *Corporation* for that of *Bank*, and *Agency* for that of *Branch*. The new bill also differed from the old, in fixing the amount of capital at 21 millions, instead of 35,000,000, and in confining the dealings of the Corporation to domestic and foreign exchanges. The bill allows the Corporation

the privilege of employing any State Bank or association of individuals as an agency. Nothing is said in it about the assent of the States to the establishment of branches.

So rapidly does the present Congress do business, that this important bill, which was reported on Friday, was passed on the following Monday. The yeas were 125, the nays 94.

It was then sent to the Senate, where the consideration of it has been from time to time postponed.

Some of those members of the House who were formerly professed friends of President Tyler, have used the most opprobrious language towards him, on account of his vetoing the Fiscal Bank bill.

LYNCH LAW.

In a former number, we mentioned the remark of a reflecting man, that the worst sign of the times was the utter disregard of law shown by men in high stations, and we expressed our fears that private individuals would, in imitation of officers of moneyed and municipal corporations, substitute their own discretion for the laws of the land.

Since then, we have read of some individuals in Ogle County, Illinois, taking the law into their own hands, and inflicting the punishment of death on certain reputed horse thieves: and of others in Bourbon County, (we think it was,) Kentucky, hanging, with due solemnity, though without regular legal process, two men accused of committing a robbery on the highway. As it is not our province especially, to record what concerns horse thieves and highwaymen, we introduced no notice of those events into our Journal. The doings of rogues in higher stations occupy as much of our columns as we can well spare. Among these are counterfeiters, and the fate which has befallen a part of that fraternity, is thus related in the daily papers:

"The N. O. Picayune has the following startling particulars of the application of Lynch Law in Arkansas, communicated by a gentleman who had just come from that region. It is the greatest act of violence and murder under that bloody code that the press has ever been called upon to record. It is almost too horrible to be believed. A numerous band of counterfeiters had their places of rendezvous and the abodes of their families in Philips county, Arkansas, and Coahoma county, Mississippi, on the opposite side of the river. They were a desperate and lawless set of persons, annoying the citizens and flat boat trading men, encroaching upon their property, and stealing horses from their neighbours. These repeated acts of depredation at last roused the whole neighborhood. The citizens formed with a volunteer company of about 100 well armed men, and after an active search of several days, succeeded in capturing 27 men.

"These desperate characters were captured by stratagem. Nine of them, the first account says, but later intelligence says *twenty-three*, were *tied hands and feet*, and, as the report says, *drowned in the Mississippi*, near Island No. 69.

"The informant who communicated these particulars, states that the company is increasing in number, and intends to proceed to the mouth of the White river. When he arrived at Napoleon, at the mouth of Arkansas river, he learned that some six or seven dead bodies had been seen floating on the river opposite that place, and also that some of the counterfeiters who escaped had been passing down the river with uncommon speed, in order to evade their pursuers.

"This statement is vouched for as a combination of facts without a word of exaggeration. If so, it is the most wholesale and horrible murder that has ever been perpetrated in a country pretending to be civilized and governed by laws. The Cincinnati Chronicle of the 19th, confirms this story by the statement of a passenger who came up the Mississippi, and saw six of the bodies floating down the river. He informed the Republican that it was rumored that from a dozen to twenty of the counterfeiters were killed."

INCIDENTS.

There has been a considerable decrease in the number of persons, other than convicts, confined in the Philadelphia County Prison. The average number *locked up* on each day, from the 1st of March to the 31st of July, inclusive, in 1840, was 273. In the same period of 1841, the average number was 228, being a decrease of 45. The decrease is attributed to the temperance movement. There has been an increase in the number of persons committed on charges of counterfeiting, forgery, &c. In June, July, and August, 1840, the committals for these offences were eight. In the same months of 1841, they were eighteen.

An attempt was made to get up "an indignation meeting" at Pittsburg, on account of the course pursued by Mr. Irwin, the member from that city, in relation to the Fiscal Bank. It proved a failure. Mr. Richard Biddle, the brother of Mr. Nicholas Biddle, stepped forward in defence of Mr. Irwin, and said he had done right in not voting for Mr. Clay's Fiscal Bank bill.

A mystery still hangs over the fate of Miss M. C. Rogers, of New York. Some say that it was not her body that was found floating in the North River.

Mr. Henry Brevoort, who died recently at New York, at the age of 93, and worth, as reputed, two million dollars, was at one time a market gardener. He laid the foundation of his large estate many years ago, in purchasing a strip of land, for which he paid about five hundred dollars. In process of time, his cabbage garden was converted into building lots; and hence his immense wealth. Others in New York and Brooklyn who were once market gardeners, are said to have become very rich, and probably from the like cause. Mr. Brevoort died in the wooden house in which he was born.

Commissioners appointed by the authorities at

Washington, have for some time been investigating the affairs of the New York custom house. It is said that they have caused a writ to be served on Mr. Hoyt, the late collector, in which the damages are laid at $400,000; and another on Mr. Phillip, Swartwout's assistant cashier, in which the damages are laid at $600,000. Swartwout's defalcation is said now to be reduced to about $400,000.

The President and his family were not suffered to repose in peace, during the night following the day on which he sent his veto message to the Senate. A mob of paper money men assembled in front of his dwelling, and by the hideous noises they made alarmed the females of the family. They also burned the effigy of the President.

The news that President Tyler had vetoed the Fiscal Bank, gave great joy to many persons in New York and Albany. In the former city, a salute of one hundred guns was fired, and in the latter a procession was formed. In Philadelphia, we took the matter more coolly.

By the burning of the steamboat Erie, on Lake Erie, upwards of two hundred lives have been lost. In the frequent accidents that have occurred since the passage of the "steamboat inspection act," we have evidence of the folly of those politicians who seek to correct all evils by means of legislation.

An association for promoting reform in banks and currency has been formed at Petersburg, Virginia.

The citizens of Columbus, Ohio, have resolved to dispense hereafter with the use of "shin plasters."

The Bank of Xenia, Ohio, is issuing notes payable in—notes.

THE FOREIGN NEWS.

The recent bankruptcies in Vienna, have caused failures in many other towns of Germany.

The failures that have occurred in Great Britain, since the commencement of the present year, are estimated to amount to ten millions sterling, or between forty and fifty million dollars.

In Paisley, Scotland, fifteen houses failed in one fortnight. Their debts amounted to half a million sterling.

We hear much in commendation of the Scottish banking system. Of all paper money systems, it is undoubtedly the best. But, wherever paper money is used, there will be inflations, and there will be contractions, and there will be *factitious* credit. And wherever there are inflations, contractions, and factitious credit, there will be bankruptcies.

The London Mercantile Journal, of August 3d, says, "the average amount of bank note circulation in England and Wales, is now rather over £27,072,000. The increase in the quarter just passed, is given at £189,000 for the Bank of England, and of £285,613 for the joint stock and private banks."

The editor of the Journal, says that the fact that the directors of the Bank of England have increased their issues, is evidence "that they have not any very serious apprehensions that specie will be much in request for shipment to the continent this season to pay for grain."

The intelligence of the decision of the Supreme Court of the State of New York, in the case of McLeod, occasioned considerable sensation in England. The funds fell immediately ⅜ per cent.

NORTH CAROLINA SILVER.

We have all heard of North Carolina gold, but North Carolina silver must be to most persons "a new thing under the sun."

It is found in Davidson county. The ore is an argentiferous carbonate of lead, and it is believed the veins will prove very productive. A deposit of bullion of the value of $390, was made at the Mint in this city during the last week, *being the first deposit ever there made of silver from a mine in the United States.* The assay made at the Mint showed that 1000 parts of the bullion contained 973 of silver, and 8 of gold.

BANK ROBBERY.

The Danville Branch of the Farmers' Bank of Virginia, was entered on the night of the 21st or 22d of August, by means of false keys, and robbed of ninety-two thousand one hundred and thirty-five dollars. Fortunately for the bank $72,135 of this large amount were in mutilated notes, stamped on the face cancelled.

A DECAYED BANKER.

Samuel Williams, the well known American banker in London, was at one period in the receipt of £100,000 sterling per annum, from a regular commission business—yet this worthy and amiable man subsequently failed, and died lately in Boston, probably in a state of dependence on his friends.

ACKNOWLEDGEMENTS.

We are indebted to the Hon. Mr. Woodbury, of the Senate, and the Hon. Messrs. Pickens and Hubard, of the House, for public documents and other papers.

To journalists in various parts of the country, we are under obligations for their friendly notices of our undertaking.

To one member of Congress we are indebted for list of subscribers at Demopolis and six other post offices, in Marengo and Perry counties, Alabama. We are also under obligations to gentlemen in Ogdensburg and Potsdam, N. Y. Bridgeport, Conn., (second list;) Columbus, Georgia, (second list;) Natchez, Miss., (third list;) Medina and Columbus, Ohio, and other places, for additions to our list of subscribers.

As we have *stereotyped* all the numbers that have as yet been issued, we can complete the files of any number of new subscribers. One of the news-venders here, advertises for 10,000 new subscribers to the Journal of Banking. If he can procure them, we can supply them.

PRICES OF BANK NOTES AND SPECIE.

Saturday, August 28, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	¼ *a* ⅜ dis.	— *a* 2½ pr.
New Hampshire	¼ *a* — dis.	— *a* 2½ pr.
Vermont	¼ *a* — dis.	— *a* 2½ pr.
Massachusetts	¼ *a* — dis.	— *a* 2½ pr.
Rhode Island	¼ *a* — dis.	— *a* 2½ pr.
Connecticut	¼ *a* — dis.	— *a* 2½ pr.
New York City	Standard.	2¾ *a* — pr.
New York State	½ & ⅝ *a*—dis.	2½ *a* — pr.
East Jersey	⅜ *a* — dis.	— *a* 2½ pr.
West Jersey	3 *a* — dis.	Par *a* 1 dis.
Philadelphia	3¼ *a* — dis.	Standard.
Pennsylvania, East	3¼ & 5 *a*—dis.	Par *a* ¾ dis.
" West	3¼ & 5 *a*—dis.	Par.
Delaware	3¼ *a* 3½ dis.	Par.
Baltimore	2½ *a* — dis.	Par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	½ dis.
Virginia	4 *a* — dis.	½ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	4½ *a* — dis.	2 dis.
South Carolina	2 & 3½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	10 *a* 40 dis.
Alabama	10 *a* — dis.	6½ *a* — dis.
Louisiana	5 *a* — dis.	— *a* 3 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	8 *a* — dis.
Kentucky	— *a* 9 dis.	6½ *a* — dis.
Missouri		7 dis.
Illinois	11 *a* — dis.	7 *a* — dis.
Indiana	10 *a* — dis.	6½ *a* — dis.
Ohio	9 *a* 10 dis.	4 *a* 7 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage)	Par *a* — p.	2 *a* 2¾ pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.25 *a* 16.50	16.30 *a* 16.40
Patriot Doubloons	15.70 *a* 15.80	15.90 *a* 16.00
Spanish Dollars	4 *a* 5 pr.	4 *a* — pr.
Mexican Dollars	1 *a* 1¼ pr.	3 *a* — pr.
Five Franc Pieces	94 *a* 94½ cents	95 *a* 96
Half Dollars	Par *a* ¼ pr.	2¼ *a* — pr.
BILLS OF EXCHANGE ON		
London	8¾ *a* 9 pr.	11 *a* 12½ pr.
France	5.22½ *a* 5.20	5.10 *a* 5.17½
Holland	*a* 40	41 *a* 41½
Hamburg	35¾ *a* 35⅞	37½ *a* —
Bremen	77¼ *a* 77½	79½ *a* —
Boston	Par *a* ⅛ pr.	2¼ *a* — pr.
New York		2¾ *a* 3 pr.
Philadelphia	3 *a* 3½ dis.	
Baltimore	2 *a* 2⅛ dis.	½ *a* ¾ pr.
Richmond	3½ *a* 3¾ dis.	— *a* 1 dis.
North Carolina	3½ *a* 3¾ dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 1 pr.
Savannah	3¼ *a* 3½ dis.	— *a* 1 dis.
Augusta	6 *a* 15 dis.	
Columbus	15 *a* 16 dis.	
Macon	13 *a* 15 dis.	
Mobile	8 *a* 8¼ dis.	7 *a* — dis.
New Orleans	4 *a* 4¼ dis.	2½ *a* 3 dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	12 *a* — dis.	8 *a* — dis.
St. Louis	8¼ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	5 *a* 6 dis.
Cincinnati	8¼ *a* 8½ dis.	— *a* 6 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	8 *a* 12½	11 *a* 13½
Mobile	8¼ *a* 12½	10½ *a* 13½
Upland	8 *a* 11	9½ *a* 12½
Flour, Western Canal, per bbl.	6.75 *a* ——	
Philadelphia	—— *a* ——	6.50 *a* 6.75
Rye Flour	3.87½ *a* ——	—— *a* 3.50
Indian Meal	3.62½ *a* 3.87½	3.50 *a* 3.75
Grain—Wheat, per bush	—— *a* 1.37½	1.30 *a* 1.40
Rye	70 *a* 75	61 *a* 67
Corn	75 *a* 80	72 *a* 78
Oats	38 *a* 51	44 *a* 46
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 32½	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4 *a* 4½	4¼ *a* 4¾
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 10½	3 *a* 10
Wool, American, Merino, per lb.	42 *a* 45	38 *a* 40
Common	25 *a* 30	25 *a* 30
Whiskey, Rye, per gal.	23 *a* 23½	22 *a* 23
Provisions, Mess Beef, per bbl.	9.50 *a* 10.00	10.00 *a* ——
Mess Pork, per bbl.	10.00 *a* 11.00	10.00 *a* 10.25
Hams, per lb.	4 *a* 8	6 *a* 10
Lard, per lb.	6¾ *a* 8½	6 *a* 8
Cheese, per lb.	5 *a* 6	7 *a* —
Rice, per lb.	3⅝ *a* 3⅞	3½ *a* 4

BANK NOTES.

Our authorities for the prices given in the table are the same as in our last. The like remarks to those given in our last, apply to the notes of certain banks in different States, which are at a greater or less discount than is stated in the table.

The notes of the Towanda (Penna.) Bank are of very uncertain value. On one day they are at par, and on another at from 5 to 10 per cent. discount.

The notes of the Central Bank of Georgia have for some months been quoted steadily, in some of the Price Currents, at 25 per cent. discount. We have effected sales of small amounts, but not without difficulty, at 20 per cent. discount.

For notes of the Arkansas banks there does not appear to be any sale in the Philadelphia market.

Mr. Van Court has handed us the following list of

NEW COUNTERFEITS.

Merchants' Exchange Bank, N. Y.—10s altered from 2s. — Well done. Vignette, a figure of Mercury. Letter B, March 1, 1841.

Hudson River Bank, N. Y. — 10s, letter C, various dates. Vignette, an Indian, holding up his right hand, and looking at a rail-road car in the distance. On right end, rail-road car, and on the left end a lady in a reclining position. Engraved by Rawdon, Clark & Co., Albany.

Farmers' and Mechanics' Bank, Philadelphia. — 5s, letter B, and 20s, letter A, altered from Farmers' and Mechanics' Bank, Wisconsin, of various dates, and payable to different persons. W. Patton, Jr., Cashier, and J. Tagert, President. Vignette of the 5s, a female holding the cup in her right hand, and her left one resting on an eagle. The vignette of the 20s is a female spinning. On the left margin a female and eagle, and on the right an Indian. No notes of this bank, with Burton & Gurley as engravers, are genuine.

Bank of Central New York, Utica, N. Y. — 5s, dated January 2, 1841; payable to D. Cushman; T. O. Grannie, Cashier, A. Thomas, President. General appearance of the note bad, and lettering very irregular.

Middletown Bank, Middletown, Ct.—5s, dated August, 1839; pay R. Rand; D. Ames, Jr., Cashier, D. Hubbard, President. Vignette, a ship under sail, &c. — Engraving dark and poor — filling up and signatures in one hand writing.

Commercial Bank, Rochester, New York. — 10s, red back — engraving coarse — the Register's name miserably done. Easily detected by observing that the word "No" is omitted, which, in the genuine note, is on the right of the vignette.

Bank of Xenia, Xenia, Ohio. — 10s, spurious. Purport to be engraved by the Eastern Bank Note Company. No notes ever engraved for this Bank by this company. 20s, some signed H. Clark, others J. Hevling, President. All signed by these persons are spurious. 50s spurious. The bank has not issued any 50s.

Bank of New Orleans, New Orleans, La. — 3s, letter A, dated April 9, 1839. Engraving light and coarse. Signatures engraved and badly run over with a pen. 10s spurious. Vignette, two eagles, with the motto of "Hope."

Bank of Illinois, Shawneetown, Ill.—1s, letter C, pay H. Cafe, dated June 1, 1840. Vignette, an Indian watching a train of cars. Engraving coarse.

Merchants' Bank, New Bedford, Mass. — 10s, dated January 4, 1840; J. B. Congdon, Cashier, J. A. Parker, President. Payable to A. Wood, and probably others. Vignette, ship under sail, and brig crossing her wake. Filled up badly with blue ink — signatures black ink; but all done apparently by the same hand.

THE STATE OF TRADE.

In both New York and Philadelphia, a fair amount of business is doing. The supposition that there will be a partial failure of the crops in Great Britain, has caused orders to be sent to this country for grain and flour. The orders were limited at prices so low, that they could not be filled; but the bare fact that such orders have been sent, has contributed, with other things, to raising the price of bread stuffs.

THE STOCK MARKET.

In New York, United States Bank stock has been sold at 8¾, and some prophesy that it will, before long, be down as low as 4½. The recent fall is said to be occasioned by an opinion that through the operation of the Bankrupt Act, many of its assets will become nearly worthless. If the Bankrupt Act affects in this way the assets of the United States Bank, may it not have a similar effect on the assets of other banks?

Stock of the Vicksburg Bank has been sold in Philadelphia at the rate of 3 dollars 75 cents a share.

At New York, the business in State stocks has been improving.

☞ The remarks on the General effects of our Paper Money Banking System, begun in our last, are concluded on our next page.

We have become so accustomed to this system of breaking, that we begin to regard it as a part of the system of nature. But it was not so always. Previous to the revolutionary war, there were but three bankruptcies among the large dealers in Philadelphia.* A bankruptcy in the olden time, spread as much gloom over a family as a death; and if the bankruptcy was the result of misfortune, the family had the sympathy of all their neighbors.

There is reason to believe, that in some periods of six months, more bankruptcies have been recorded in Philadelphia and New York, than in Hamburg and Bremen in twice that number of years: and that there are more insolvencies in the United States in one year, than happen in Holland in a whole century.

No natural causes exist to make trade more uncertain in the United States than in France, Germany, and Holland. The commerce of those countries is, in fact, exposed to shocks from which ours is exempt, from the operations of hostile armies in and near their territories, and from every change that happens in the political world immediately affecting their mercantile operations. But the expansions of bank medium lead our merchants to overtrading, and the contractions force them to make sacrifices of their property: and as these expansions and contractions are as incessant, though not as regular, as the ebbing and flowing of the sea, many kinds of business are with us rendered more uncertain by this one cause, than they are in some other countries by all natural and political causes put together.

CHAPTER VII.

Effects of this System on Credit.

In a rising country, sound credit is of equal importance with sound currency.—Through its operations, the advantages of capital are more beneficially diffused than would otherwise be possible. The man who has more capital than he wishes to employ in his own business, and the aged and infirm who possess wealth, lend it to the young and active. By these means, much capital is made productive, which must otherwise have remained unproductive; and many persons find employment who must otherwise have been idle. The wealth of the nation is increased, and lenders and borrowers are mutually benefitted. The former receive their just share of profits, in the shape of interest; and the latter keep another share as a recompense for the trouble of management.

To have a system of sound credit, nothing more is necessary than to have a sound money system, and to enforce the faithful performance of honest contracts.

In the countries forming the present United States, credit has never been perfectly sound. In an early period of our colonial history, arbitrary alterations were made in the legal valuation of the current coin. Then came the paper money of the Provincial Governments, and the continental money of the Revolutionary Congress, together with tender laws, supported by penal enactments. Men of property were cautious in making loans, fearing lest they should be paid in money of much less value than that which they had to lend.

Notwithstanding this, as business was much less uncertain than it is now, men whose moral character was such as to afford a guarantee that they would not take advantage of unjust laws to injure their creditors, found little difficulty in borrowing. But moral character is no longer security for the repayment of loans; for the sudden vicissitudes of fortune, which are produced by the banking system, make very great changes in the moral feelings of men. Many a one who feels, while his affairs are prosperous, every disposition to fulfill his engagements, becomes very careless about them when he finds his affairs declining.

As industry and economy no longer insure success in business, nothing short of real estate is regarded as adequate security for the repayment of a loan. This security many men, in whose hands capital would be very productive, are unable to give. And thus, while the rich are prevented from lending their funds in the manner which would be most advantageous to themselves, not a few industrious and enterprising persons are prevented from exerting their faculties in the way which would be most beneficial both for themselves and for others. Some, from the impossibility of obtaining capital to work with, are like mechanics without tools—useless both to themselves and to society.

This practice of lending on bond, to which banking has nearly put an end, was, perhaps, more advantageous to the country than any

* They were those of Scott and M'Michael, Peter Baynton & Co., and of one other firm, the name of which is not recollected by our informant.

other kind of lending. Men possessing real estate, could find means for employing their faculties to advantage, even if they were not able to borrow on mortgage. They might till their farms, if their real estate consisted of farms: or if it consisted of houses, they might, by renting their houses, obtain capital enough to engage in some active business. But men having no capital of their own, and unable to borrow, must, unless employment is afforded them by others, remain in absolute idleness.

It is now, indeed, possible for such men to borrow from the banks, if their endorsers please the directors. But the loans of the banks are for sixty or ninety days, while months, and even years, are required for bringing the enterprises of the farmer and the mechanic to successful completion. Short loans are useless to them. The banks may, indeed, renew the accommodation, but this depends on contingencies; and the curtailments in time of pressure are so ruinous, that a man acts very unwisely who borrows large sums from the banks, or who borrows them for a long period.

When Dr. Franklin arrived in Philadelphia, more than a century ago, he was a poor and friendless journeyman printer. The amount of loanable capital held by the Philadelphians was small. Yet he had been here but a short time, before his neighbors, without solicitation on his part, offered to lend him money to establish him in business. A thrifty young mechanic who should now attempt to borrow five hundred or one thousand dollars, for a term of two or three years, on his personal security, would be regarded with astonishment. Yet this young mechanic has a capital in his faculties, which would entitle him to a loan of more than five hundred dollars, if the state of credit was sound. If his labor yields him six dollars a week, and his expenses of living are four, he will have a surplus of one hundred and four dollars at the end of the year. This would pay the interest on upwards of one thousand seven hundred dollars. His chance of living, if he is twenty-one years old, is, according to the doctrine of life-insurances, at least thirty years. After making every allowance for contingencies, a loan of five hundred dollars to such a young man, might be considered quite a prudent act, and such a loan might enable him to double his weekly revenue. But the uncertainty of business, and the instability of moral character which is produced by uncertainty of business, are such, that capitalists deem the chances of repayment not sufficient to justify lending to young mechanics: and the embryo Doctor Franklins who are among them, are left to struggle on, without assistance from their richer neighbors.

As there is no borrowing at present on personal security, except from the banks, many persons suppose that if there were no banks, there would be no borrowing at all. But banks do not increase the amount of loanable capital in the country. The loanable capital of each year, is the wealth which its owners do not choose to employ in their own business. All banking can do, is, to take this loanable capital out of the hands of its owners, and place it under the control of irresponsible corporations.

If those who have honestly paid their cent. per cent. for bank stock, could get their money back, and lend it on bond, it would be more secure than it is at present. Much of that money has been lent by the banks to wild speculators. It would be in safer hands, if lent to industrious farmers and mechanics, and plain-dealing merchants and store-keepers. We mean, of course, if we had a sound money system, and a sound credit system built thereon. At present, it is not prudent to lend on any security but that of real estate. And such is the precariousness of business, that men who do not like to incur debts which they may be unable to pay, are scrupulous about borrowing on bond.

CHAPTER VIII.

The same subject continued.

It is a very pernicious kind of credit which banking substitutes for the kind of credit which would exist, if we could escape the evils of government paper money, and of unnecessary alterations in our coinage.

The lender and the borrower do not, under the present system, meet each other face to face. The capital is placed in the hands of irresponsible boards of directors, who, in managing it, have regard to little but their own personal interest and that of their favorites. Great facilities for borrowing are thereby afforded to many men, to whom no person ought to lend. They are led by bank loans to engage in business for which they are not fitted by either nature or education. Their enterprises fail, and the wealth of the community is diminished in proportion as the amount of capital thus employed is great or small.

Instances have occurred of men having obtained credit for an immense amount, who were not entitled to one cent. They were neither skilful, industrious, nor economical. They had no capital in their faculties, and none in the form of real or personal estate; or, if they had, it was previously loaded with debts to its full value. On an investigation of the affairs of a petty bank in Bucks county, it was found that the president was indebted to it, either individually, or as a copartner with other men, in the sum of one hundred and twelve thousand dollars—three times the amount of the active capital of the bank. In the case of a bank in Connecticut, the loans of which were one million nine hundred thousand dollars, no less a sum than one million five hundred thousand dollars was lent to two commercial firms, consisting of two persons each. In another instance, four gentlemen of Baltimore, who had previously borrowed one million nine hundred fifty-seven thousand seven hundred dollars from a certain bank in the regular way, borrowed an additional sum of one million five hundred thousand dollars from the same bank without even asking the consent of the proper officers. From a statement recently published, it appears that, on the 9th of April, 1832, the whole amount of notes and bills discounted at the principal bank in Philadelphia, was $7,939,679.52 cents; of which sum, more than two-thirds was loaned to ninety persons. More than three millions of dollars were in the hands of seventeen individuals, and nearly one seventeenth part in the hands of one person. Deducting from the total the bills of exchange, the discounts of the bank on that day, amounted to five millions nine hundred and sixty-four thousand eighty-five dollars twenty-six cents; and nearly five millions and a half of this amount were distributed as follows:

In loans of not less than	$20,000	each to	72	persons,	$2,404,278
do.	50,000	do.	19	do.	1,274,882
do.	100,000	do.	3	do.	341.729
do.	200,000	do.	4	do.	995,456
do.	400,000	do.	1	do.	417,766
					$5,434,111

Leaving only five hundred twenty-nine thousand nine hundred seventy-four dollars twenty-six cents to be divided among the rest of the community.

A small amount borrowed from a bank, gives a man great credit with the community. By paying down a few thousand dollars and giving mortgages for the remainder of the purchase money, he may get real estate into his possession of the value of fifty thousand dollars. He is then regarded as a rich man by the multitude, who know of his houses and lands, but know nothing of the mortgages. They are willing to let him have any kind and any amount of goods on credit. The second year he may be insolvent; but his credit remains unimpaired, and he satisfies those from whom he bought goods in the first year, by the proceeds of goods purchased on credit in the second year. Every year the amount of debt he owes beyond what he is able to pay, goes on increasing; but ten or twelve years may elapse before his insolvency becomes apparent. In the mean time he is living in splendor on the property of other men.

This facility of credit leads many into extravagant modes of living. What they have obtained by the sweat of their brow, men know the value of, and are careful of. But what they obtain in a less laborious way, they expend more freely. The ease with which they can run into debt, is to multitudes a great misfortune.

It is well if extravagant living is the only fault this facility of credit brings with it.—When men accustomed to splendor, have the property of others in possession, and can secure an independent fortune by so simple an act as a false oath in an insolvent's court, the temptation may prove too strong to be resisted. When they break, the ruin that follows spreads far and wide: for a system of guaranteeing has grown out of our present mode of doing business, through which every man's success in life is made to depend quite as much on the good conduct of those with whom he is connected, as on his own frugality and industry. The banks are secured by special assignments in which the endorsers of notes are made "preferred creditors," but all others with whom the bankrupt has had commercial dealings, are injured. As every merchant depends in part on what is owing him by others for the means of paying his own creditors, bankruptcies seldom occur singly. One dishonest, or one unfortunate man, may break twenty.

When credit causes such a distribution of wealth as renders that capital productive which would otherwise be unproductive, and when it gives employment to those persons who would otherwise be idle, or less profitably employed, it effectuates all the good that it is in its nature capable of effectuating.—Left to itself, it would regulate itself—would reach this limit, and seldom pass beyond it. Pushed beyond this extent, it becomes pernicious; and it is pushed far beyond this extent by our present system. There is now little buying or selling, except on credit. Even

the trade of consumption is on credit. A pass-book goes to the grocer's; and the tailor and the shoemaker think themselves happy if their bills are paid at the end of the year.

The retail storekeeper (if he does not commence business without any capital of his own) lends his capital to his customers by selling to them on credit. This forces him to borrow another capital from the wholesale merchant: for, buying goods on credit, is the same as borrowing capital—it is borrowing in the shape of goods instead of money, and giving a note instead of a bond, and an additional price instead of interest. The wholesale merchant, having lent his capital to the retailer, is forced to borrow another capital from the bank. The bank, in its turn, borrows the capital of its depositors, and of those who receive its notes. In this way, the whole community become indebted—the private families to the storekeepers, the storekeepers to the merchants, the merchants to the banks, and the banks to the people at large.

Nothing is gained by this forced extension of the credit system. It does, indeed, increase the gambling trade of speculation: and that kind of trade in which sheriffs, constables, and assignees, are the active agents. It also increases, in particular years, the trade of consumption: but then it draws from the productive capital of the country, and diminishes the trade of consumption in the following years. The amount of *bona fide* trade for a series of years depends on the amount of goods produced and to be exchanged. The aggregate of this trade would be much increased through the habits of industry and economy which a cash and sound credit system would introduce.

On a cash system, men with small capital would do as much business as they do at present. They would then turn their capital more frequently. By each act of trade, they would get back their own capital. Now, when they turn their capital once, they turn it out of their own hands, and it remains out of their hands for a year or eighteen months. In the interim they must employ themselves in turning other people's capital, or give up business.

If an account should be rendered of the amount lost by bad debts in the course of a year, some notion might be formed of *one* of the evils of super-extended credit: for nine bad debts in ten may fairly be laid to the account of this system. The aggregate must be enormous, as from six hundred to eight hundred persons annually take the benefit of the insolvent laws in Philadelphia alone, and numerous compromises are made of which the courts take no cognizance.

CHAPTER IX.

Of Banks as Corporations.

Against corporations of every kind, the objection has been brought, that whatever power is given to them, is so much taken from either the government or the people.

As the object of charters is to give to members of companies powers which they would not possess in their individual capacity, the very existence of moneyed corporations is incompatible with equality of rights.

Corporations are unfavorable to the progress of national wealth. As the Argus eyes of private interest do not watch over their concerns, their affairs are much more carelessly and much more expensively conducted than those of individuals. What would be the condition of the merchant who should trust every thing to his clerks, or of the farmer who should trust every thing to his laborers? Corporations are obliged to trust every thing to stipendiaries, who are oftentimes less trustworthy than the clerks of the merchant, or the laborers of the farmer.

Such are the inherent defects of corporations, that they never can succeed, except when the laws or circumstances give them a monopoly, or advantages partaking of the nature of a monopoly. Sometimes they are protected by direct inhibitions to individuals to engage in the same business. Sometimes they are protected by an exemption from liabilities to which individuals are subjected.—Sometimes the extent of their capital or of their credit, gives them a control of the market. They cannot, even then, work as cheap as the individual trader, but they can afford to throw away enough money in the contest to *ruin* the individual trader, and then they have the market to themselves.

If a poor man suffers aggression from a rich man, the disproportion of power is such, that it may be difficult for him to obtain redress; but if a man is aggrieved by a corporation, he may have all its stockholders, all its clerks, and all its dependants for parties against him. Corporations are so powerful, as frequently to bid defiance to government.

If a man is unjust, or an extortioner, society is sooner or later relieved from the burden, by his death. But corporations never die.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, September 15, 1841. No. 6.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

BANKS AS CORPORATIONS.

In this number, on page 93 and 94 we continue and conclude the chapter on "Banks as Corporations," begun in our last.

We beg leave to call particular attention to this chapter. Some writers on the American Banking System, leave entirely ought of sight the fact that it is carried on by corporations, having privileges that individuals do not possess. This is particularly the case with the Rev. Dr. Wayland, President of Brown University, Rhode Island, in his Elements of Political Economy; and the Rev. Mr. Holdich, Professor of Moral Science in the Wesleyan University at Middletown, Connecticut, in his Political Economy Simplified.

As reasonable would it be to treat of the organization of the Church of England, and leave out of view the fact that it is established by law with privileges which dissenters do not enjoy. Dr. Wayland and Mr. Holdich seem both to have borrowed their ideas from some European authors, who had the English country bank system, or perhaps the Scottish banking system, in view. As the copartners in the English country banks, and in the Scottish banks, (a few only excepted,) are liable in the whole extent of their private fortunes for the debts of the banks, and as the laws of both those countries afford a prompt remedy in case of a bank's stopping payments, arguments which may be plausible enough when used in support of the Scotch or the English country system, have not, to us at least, even the merit of plausibility when used in support of our American paper money system. To those, however, who will persist in shutting their eyes to the character of our banks as corporations, such arguments may be plausible enough.

BROKEN BANKS.

In a chapter entitled, "Of the Popular Arguments in favor of Banking," published in the present number, the following passage occurs:

"One hundred and sixty of these safe depositories have broken in the last twenty years, and one hundred and sixty more may break in the twenty years next to come."

Only ten years have elapsed since that passage was written, and in that period more than one hundred and sixty banks have proved bankrupt. We are collecting materials for a correct list of them

SUSPENSION OF SPECIE PAYMENTS.

In the chapter above referred to, we spoke of the suspension of specie payments that occurred in 1814, and adverted to the possibility of such an event occurring again. Who would have credited us, if we had said that the banks to the south and west of New York, would suspend specie payments *three times* within seven years after the first publication of our volume?

THE NEW PET BANKS.

The public moneys at Boston have been removed to the American Exchange Bank, at Charleston to the South Western Rail Road Bank, and at New York to the Bank of Commerce.

It is said that the Bank of Commerce has, in consequence of its being made a public depository, made a loan to Government of one million dollars—that is to say, the Bank of Commerce has received United States stock, bearing interest, and given in return therefor an inscription of credit on its books, bearing no interest. This is modern financiering.

As the Bank of Commerce will be expected to make loans to politicians, and as it dabbles in stocks, its name should be changed to suit its character. Instead of being called, The Bank of Commerce, it ought to be called "THE STOCK JOBBERS' AND POLITICIANS' BANK."

☞ The dissertation on "THE TRUE PRINCIPLES OF COMMERCIAL BANKING," is continued on the next page.

Section V.

Since the year 1824, the Government has had little occasion to borrow. But it has paid off what it had previously borrowed, and a reference to the documents affixed to Mr. McDuffie's and Mr. Clayton's reports in 1832, will show that the operations of a bank in making paper loans to Government, can hardly be more injurious to the community, than are its operations in making repayments to the public creditors. The whole course of domestic exchanges has to be deranged, in order to concentrate funds at the points where the repayments are to be effected.

What has occurred since the year 1832, must be too fresh in the minds of men to require us to go into detail. Different persons may entertain different opinions of the merits of particular measures; but all must admit that the country would have escaped such evils as it is now suffering, if Bank and State had never been united.

It will be difficult, if not impossible, to point to a single convulsion in the money market from the year 1782 up to the year 1838, which, if it has not been caused, has not been increased by this unholy connection. In all circumstances, whether of peace or of war, whether the public revenue has been redundant or deficient, whether the banks employed have been Federal or State Banks, and whether they have lent to Government or paid off loans contracted by Government, the improper connection of fiscal and commercial transactions has proved injurious to either the Banks or the Government, and in some instances to both.

If the connection be resumed, the history of the future will be only a repetition of the history of the past, with such variations as may result from different combinations of circumstances. Fiscal operations and commercial banking operations are so distinct in their nature as to require for their proper management distinct modes of action. When a Government wants to borrow, it wants what Banks have it seldom in their power to lend. It does not want mere credit. It wants capital, and it generally wants it for a term of years— not for the short period which usually elapses between the time when bank notes are issued and when they are returned for redemption. Equally ill adapted, as we have already shown, is bank currency for supplying a public revenue. The notes issued for such an object are not based on commodities, and as the revenue of Government is collected in one part of the country and disbursed in another, no corresponding transfer of commodities takes place to balance exchanges.

In the case of receipts for customs, the tax may be regarded as incorporated with the price of the imports: and in discounting a note to take up a duty bond, a bank may, perhaps, be said to be discounting a note representing a commodity which may be sold in time to redeem the note discounted and thereby the note issued. But in furnishing a medium for the payment of postages and other public dues, the banks make issues which are, clearly, not based on any proper banking principles. In making issues for the purchase of public lands, they must, if they proceed therein to any great extent, utterly derange the whole course of exchanges. Each of the western and south-western states produces commodities for export barely sufficient to balance its commercial accounts with the Atlantic states and with Europe. There being no commodities to form a basis for further exchanges, attempts to transfer, by means of Government drafts, such sums as are collected in western bank paper, to such places as the public service requires, must inevitably derange both currency and exchanges.

If the eastern banks as well as the western, issue notes for the purchase of public lands and other land speculations, they may, for a time, balance the excess of paper in the Mississippi valley, by an excess on this side of the Alleghanies; but such an excess cannot continue long, without turning foreign exchanges against us. Gold and silver then leave the country, and the promises of the banks "to pay on demand" prove utterly delusive.

Notes issued for the payment of taxes are, as we have already said, but a new emission of Continental money, differing from the old in form, but not in substance. Their being issued by corporations, and all the profits of the issues going to corporations, does not change their nature. As no particular commodities are pledged for their redemption, their value is kept up wholly by taxation: and if our public expenditures should exceed our public receipts as much as they did in certain periods of the Revolutionary war, our new Continental money would soon fall to a level with the old. To many minds this may not be apparent, because the whole of our banks have been engaged in the double business of furnishing currency for commercial purposes, and currency for fiscal objects: but let these two functions, distinct in themselves, be divided between two sets of banks, and every one must see that the currency

supplied by one set of these banks would rest on the same principles as the old Continental currency, and be liable to depreciation from the same causes.

If any find it difficult to discover that another portion of our bank currency has rested on the same principles as the French assignats, it can only be because the matter has been so cunningly managed with us as to give all the profits to corporations. The value of the French assignats was based on the public land, which was the only fund provided for their redemption. The value of much of our bank paper has rested on no better foundation. No other property than the public land has, in many an instance, been represented by either the notes discounted or the notes issued. And after the title to the land had, by banking operations, been transferred from the public to speculators, there was no other fund than this same land for the redemption of the notes thus added to the circulation. Such a currency is identical in its nature with the French assignat currency. Giving all the profit of it to corporations does not change its essential character.

Very different is the currency created by banks conducted on purely commercial principles. This is always based on commodities, the demand for which is so constant as to insure the prompt redemption of their paper representatives. It would also seem to have within itself a self-regulating principle, by which the true proportion between currency and commodities might be preserved.—Whatever objections could, on other grounds, be brought against such banks, they could not be justly accused of deranging exchanges.

Banks conducted on purely commercial principles would be very profitable. Their whole capital might be invested in permanent securities: for, after being a short time in operation, the whole spare cash of the community would be deposited with them, and constitute a fund quite sufficient to support their current credit. From the capital invested in permanent securities, they would derive the ordinary profits of stock, and what should accrue from the use of their current credit would be so much extra gain. All such of the product of our land and labor as enters into wholesale trade, would, either directly or indirectly, be the subject of their operations, and become a pledge for the redemption of their issues. No portion of it could pass from the producer to the wholesale dealer and thence to the consumer, without the intervention, in some stage of its progress, of bank credit in *some* form, and where bank credit is used *somebody* must pay for it. The aggregate income thus realized, would be many millions per annum, and many millions per annum ought to be esteemed quite a sufficient reward for simply furnishing paper representatives of the value of commodities, and balancing exchange accounts between different parts of the Union.

But if our banks, not content with the legitimate profits of their trade, will insist on making emissions identical in principle with the old Continental money, and other emissions identical in principle with the French assignats, they must expect all the regular operations of their trade to become deranged, and if they gain in one way, to lose quite as much in another. They cannot blend the three distinct functions of commercial banks, government banks, and land banks, and preserve the due proportion of currency to commodities. Their enormous expansions will be followed by as enormous contractions,—each detrimental to the regular progress of wealth, and to safe and regular business, and consequently to the profits of regular banking.

The irregularity of movement imparted to our banking operations by the reception of bank notes in payment of taxes, would, at first sight, seem to be not very considerable. As the revenue the Government derives from proper taxation, including therein the customs, is seldom more than twenty millions a year, it does not, by receiving bank notes in payment of these dues, give a direct stimulus to bank issues beyond this extent: and as this revenue is received and paid away in different seasons of the year, the amount thereby added to the active circulation may seldom, at any one time, exceed five millions. But it should be recollected that, when by discounting all the good business paper offered, the circulating medium is exactly adapted to the amount of things to be circulated, a very small addition may cause a great derangement of exchanges, and render the whole system insecure. As shown in a former part of this dissertation, a bank with specie in its vaults of the amount of ten thousand dollars, and paper in circulation of the amount of one hundred thousand dollars, and perfectly secure as long as these proportions are maintained, may, by adding only ten thousand dollars to its circulation, be compelled to suspend payment. The receipt and disbursement in bank notes of a revenue of only twenty millions, may cause every thing to fluctuate where every thing would otherwise be stable.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. II.

Thursday. My son Jack, who has just come from college, put into my hands the Democratic Review for May. Was highly gratified with the autobiography of my most worthy friend, Ferret Snapp Newcraft, Esq. Mr. Newcraft hardly does himself justice in this brief memoir. I hope he will publish fuller reminiscences of his life and times, for the benefit of his children, and of mine. It is true, he was not quite free from faults; and I always thought that, as he himself says, "the distinction between making a great speculation, and 'taking in' a fellow creature," was never precisely clear to his mind.

Thanks to McThwackem's excellent instructions, *I* can perceive distinctions where Newcraft never could. McThwackem splits hairs with so much dexterity, that they never break off in the middle. The worthy Doctor called on me this morning to consult on some affairs of the ********** Society, of the board of managers of which we are both members; and also to aid in completing the plans of some land, rail road, and other speculations in which we are jointly interested. In the pulpit and out of it he is equally instructive. We talked at large of our banking system, which we, as moral and religious men, agreed required reform. But how, said McThwackem, is a reform to be effected? A reform must be either sudden or gradual. A sudden reform of the system every man of sense must admit to be impracticable; and as for a gradual reform, that will produce more evil than the system itself occasions. A German philosopher admirably illustrates the effects of gradual reform, by a story of his dog and his servant. He directed the servant to cut off just so much of the dog's tail as the fashion of the times required, and then returned to his studies, "*de omnibus entibus et quibusdam aliis*," in full expectation that the dog would, in a few days, be in a fit trim to accompany a philosophical dandy whenever he felt inclined to be of the Peripatetic school. But day after day elapsed, and the dog was not forthcoming, and every day the philosopher was disturbed by the wailings of his favorite. At length he inquired into the cause, and found that his servant, supposing that the dog could not bear to have one-half of his tail taken off at once, had endeavored to make the operation as easy as he could for the poor animal, by clipping off a little piece every morning!

Now, continued McThwackem, the application of this story is obvious. Brother Jonathan is a "sad dog" if not a "spry dog." The banking system is his tail, and about nothing else is he so sensitive, because he is fully conscious that it is not such a tail as a good looking dog ought to have. He is willing, and even desirous, that it should be clipped, but then it must be only a little piece every day. It is evident that before half the necessary clippings can be made, Brother Jonathan will become restive; and as half reform is worse than no reform, let us have no reform at all.

I *do* like McThwackem. I only wish he would drop the ugly prefix to his name, and become a *native*.

Friday. Great outcry among the merchants, because our bank and the other banks cannot grant them facilities, in consequence of the directors and a few others monopolizing the funds of the public institutions for their private speculations. Of all stations in society it appears to me that that of director of a bank is the most thankless. The officers of Government are all paid for their services, and the officers of banks, presidents and cashiers excepted, are not paid. Even the small emoluments we get in an indirect way seem to be grudged to us, though these have never, in my own case at least, amounted to more than fifty thousand dollars in any one year. Yes, these little gains excite envy, and this at a time when we are doing all in our power to make dollars as plenty as black-berries, and when the country would, without our operations, be in as desolate and dreadful a condition as Spain or Barbary.

The merchants and the rest of the community have, indeed, abundant cause of complaint, but then it is of the government, not of the banks.* If the government would only cease its war on the banks, we could make money so plenty that there would be not only enough to promote our own speculations, but also to grant to the merchants the facilities they require. What I mean by government ceasing to make war on the banks, is, that government should redeem our bank notes by giving land in exchange for them, regard our promises to pay as equivalent, in all cases, to actual payment, and let us have the use of all its funds free of interest. So long as Government refuses to come into these measures, it must be regarded as standing in a hostile attitude towards the banks: *therefore* making war upon them. Some of our friends are decidedly of opinion that Government ought to levy a direct tax on the people for the benefit of the banks. I have no particular objection to this, but it seems to me that redeeming our issues by giving public lands for them, and receiving them for duties, will amount to much the same thing. This the government *must* do and *shall* do. Its attacks on the time-honored institutions of our country are no longer to be borne with. I do not go as far as some, and say that if there were no bank notes there would be no money, but this I will say, if there were no banks there would be no *paper money*, and we have the authority of a former committee of the United States Senate for declaring that bank notes are *better* than gold and silver. Neither do I agree with those who think that if there were no banks there would be no credit, but I firmly believe that *many* men who now have a most extensive credit, would not then be trusted for a shilling. If there were no banks, commerce would be a humdrum affair, whereas it is now almost as exciting as a game at *rouge et noir*, and almost as uncertain. If there were no banks every man would have to be content with his own earnings, and there would be no capital to the Corinthian column of society; or rather, there

---

* The reader will please to recollect that this was written in July, 1838. I have my *hopes* of the present administration. *G. Graball*

would be no Corinthian column at all, nothing but a plain Doric shaft. If there were no banks there would be no means of acquiring even a competency, except by labor, agricultural, mechanical, mercantile, or professional, all slow and hard ways of becoming rich. Banking affords a quick and easy road to wealth,—if not to the whole nation at least to a part of it. By its means I have myself, besides living tolerably like a gentleman, acquired a snug little fortune of two hundred thousand dollars in the short space of ten years, and I am morally certain that if I had been obliged to work for it, I never should have been worth the one-half part of that many cents.

Saturday. I happened once to be present when an old and experienced bank cashier dropped the remark that he had known the rejection of a single note to sink the price of flour in one of our principal markets, simply because it compelled the offerer of the note to sacrifice his merchandize to save his credit. I treasured up the remark for future use, and some time since entered into a combination with a number of friends to depress the price of certain articles by refusing to the holders of them all kind of facilities, and pressing on them for the prompt discharge of their obligations. As the scheme was an extensive one, requiring a number of persons to carry it on, and profound secresy to bring it to a successful issue, it was several times in danger of miscarrying. But our power was so great, and the necessities of the merchants who held the articles were *somehow* so urgent, that we bought them all up pretty much at our own price. We have now only to increase our issues, and we shall be able to sell these articles at such rates as we may choose to ask. In that case my two hundred thousand dollars will become four hundred thousand. I prefer going on in this snug way to dashing out as Newcraft did. He always appeared to me to go ahead too fast.

At a special meeting of our board, held to-day, Mr. O'Squeezem made a long speech, in which he dwelt at great length on some very plain truths, such, for example, as that gold and silver in the vaults of a bank are a dead weight to the bank, and of no use to the community—that there is continual risk of the metals being stolen—that memoranda checks are the *real* specie, &c. &c.; and finally wound up with a proposal to rid the bank of the gold and silver with which it was encumbered, by giving his own memoranda checks for it.

O'Squeezem is all for self. Now, if there is any one vice I *do* dislike, it is selfishness. I therefore opposed him most manfully; but I had not spoken more than half an hour before another director proposed that *each* member of the board should have an equal share of the gold and silver. In this form there was something like fairness and justice in the proposal; and I withdrew my opposition, for the moment, that the cashier might give some necessary information.

Cashier expressed his desire to do all in his power to favor the wishes of the board, but stated frankly that the adoption of the resolution in its present form would expose him to considerable inconvenience, and he doubted if all the gold and silver *at present* in the vaults of the banks, would be much of an object to the directors, if equally divided among them. Mr. O'Squeezem remarked that the amount, when the annual return was made up, appeared to be considerable. Cashier said that appearances were frequently deceitful. The sun appeared to move around the earth, but every body knew that the earth moved around the sun. Things appear great or small according to the position in which they are placed. The gold and silver belonging to the bank *appeared* considerable, placed in a certain position, that is, in the accounts of the bank—placed in another position, that is to say, in the pockets of the directors, it would appear much less considerable. He hoped that whatever was done, the board would leave him enough gold and silver coin to pay *postages*. The tyrannic requisitions of the Government under which we live made this indispensable.* The remark of the cashier in regard to postages almost decided me, and a few words I had with him apart, left me no longer in doubt as to the course I should pursue. I opposed the proposition in its modified form with as much energy as I had resisted it in its original shape. A distinguished Senator from ———, would doubtless have displayed more ability in arguing for the propriety of having a *metallic* basis for our currency, but he could not have evinced more zeal.

O'Squeezem sneeringly remarked "that Deacon Graball ought to be at his prayers—that he was becoming a convert to the 'Specie Humbug'—a defender of the 'Specie Circular,' &c."—These revilings affected me not. I look on all kinds of paper money except what is founded on a *metallic* basis as a DOWNRIGHT FRAUD on the community. Whether the basis is large or small, is not of much moment. Such is the excellent nature of paper credit, that a single dollar in metal may serve for any number of dollars in paper.

Sunday. Brother Mc'Thwackem has gone to a watering place, partly to recruit his health, partly to look after some rail road, and other speculations in which he and I are jointly interested—and partly to try if he cannot be of some spiritual benefit to the poor, light-headed mortals who usually flock to those scenes of gaiety. Through some strange mistake he left to fill his pulpit a stupid country *parson*, or I should rather say *priest*, for if his sermon did not savor of *popery* I know not what popery is. It was all *works—works—works!* Not one word about the precious doctrines of grace! I doubt if the man be not a Jesuit in disguise, smuggled into the church by the hard-money men with intentions best known to themselves. His text was "THOU SHALT NOT STEAL;" and, in the course of his remarks, he drew a strongly marked line between what he was pleased to call *conventional* and *essential* honesty. There were, he said, many practices which, though strictly compatible with the former, were at utter variance with the latter. Taking advantage of men's ignorance and necessities in driving a bargain, was, he said, just as bad in the eyes of reason and religion, as taking

* Again I must request the reader to remember, that this was written in 1838. I have my *hopes*, as I have already observed, of the *present* administration. *G. Graball.*

advantage of their physical weakness and robbing them on the high way. It was no matter whether this was done according to the forms of law or contrary thereunto. What was wrong in itself, mere human enactments could never make right. It was no matter whether this taking advantage of men's ignorance and necessities was open and immediate, or covert and indirect, by a long string of contrivances, with a legislative charter at the end. If a man's pocket was picked, it was much the same to him whether the thief did it with his naked hand and five fingers, or by means of machinery the handle of which was turned in the next street. If a multitude of men were thus treated, it only added to the enormity of the offence.

I can truly say that I never listened to a more *unedifying* discourse; and the whole congregation were of the same opinion as myself,—at least, I know all my particular acquaintances were. I suspect that this *parson* or *priest*, or whatever he is, will have but few hearers this evening. At all events, I am determined that *my* pew shall be vacant.

If I use the power which circumstances *or my superior intelligence* gives me to increase my wealth, I am only acting according to the dictates of nature. That is morally right which is conformable to the law of the land. It is the law of the land which, in fact, determines what is right in a civil sense, and therefore in a moral sense. If the law is wrong I am not in the fault. I did not make the law.

Went in the evening to hear Dr. Diddler, and heard a truly great and glorious discourse. It was all gospel and no law—all faith and no works.

Monday. An old friend whom I saw in the congregation last evening, but whom I had not met with for many years before, called on me this morning. I wished to draw him into conversation on the excellent discourse we had both been favored with hearing, but he rather avoided the subject, and from some of his remarks I fear he is infected with the new-fangled notions of the day. The doctrines of *legal righteousness* are making strange havoc among professors. "The *five points*" have been rubbed at so long that they are actually worn down into *five blunts*. This brother's mind seemed full of worldly matters. He reminded me that about twenty years ago when I was much embarrassed, he had not pressed for the payment of a debt of five thousand dollars I then owed him, but suffered the claim to lie over. With some little difficulty I recollected the fact, but I did not think it very christianlike in him to call it up at this late day. A favor ceases to be a favor if gratitude is required in payment. He said that he had met with many reverses since that time—an ample estate had been reduced to nothing—and all the efforts he had made in the South and West to retrieve his fortunes had proved unsuccessful. Understanding that I was possessed of boundless wealth—of a tract of three millions of acres of land, and six town plots, in the Western country, besides stocks and various other property in the East, he now ventured to hope I would discharge his claim—the interest he would give in if I would pay the principal.

Such effrontery I never before met with. The debt is barred by the statute of limitations, and has been these thirteen or fourteen years.

Mr. Downright said law was not every thing—there was such a thing as *equity*. So there is, I admit, but I have had the misfortune to fail three times in the course of my life, and the aggregate of my old debts (if debts they can be called) is between two and three millions of dollars. It is utterly impossible for me to pay all, and nothing could be more clearly *inequitable* than for me to pay *one* of my creditors and not the others.

Finding by further conversation that Downright was in great distress, I gave him a check for fifty dollars, writing "charity" on one corner of it, as is my practice when I make donations, in order that I may keep my accounts square, and know exactly how much I give in each year for benevolent purposes. Downright refused to receive the check unless this word was erased; and so finding him both poor and proud, I took it back, leaving him to suffer the consequences of his folly. People ought to learn to conform to their circumstances.*

In regard to the three millions of acres of Western land, I must remark that they are not exactly mine, though they will, I hope, nay *trust*, be mine. It is Newcraft's tract which he has transferred to me on certain conditions, and which I am to restore to him in certain contingencies, which I shall take good care shall never occur. Newcraft thinks himself a man of business. And so he *is*, but others are men of business as well as he.

---

* In offering Mr. Downright a check for fifty dollars, Deacon Graball showed himself a *true* Christian, as he is. A case lately occurred in this city, in which a decayed merchant, placed under like circumstances, could not get *ten* dollars from his wealthy debtor. It was, as we are told, literally as follows.

Mr. ———, who failed many years ago, now stands high both in Church and on 'Change. At the time of his failure he owed five thousand dollars to Mr. ———, then a merchant in good circumstances. Through revolutions of the wheel of fortune, the position of these two gentlemen is now exactly reversed. The reduced merchant lately took a note for five thousand dollars, and going to his wealthy debtor, tried to prevail on him to give him something in exchange for it. The now wealthy man refused, affirming that he would have nothing to do with obligations of such old standing. The creditor used every argument he could think of—sunk gradually in his demands to one hundred dollars—then, pleading the suffering state of his family, offered to give up the note for ten dollars. It was all in vain.

We have not the names of the parties, but we have the facts from one well acquainted with the particulars. It may seem like a mere repetition of the case stated in the text. But that occurred in 1838; this in 1841.

Besides this, Deacon Graball, as all the world knows, lives in Boston. This latter case occurred in Philadelphia.

BANK FAILURES.

At the head of the list in the present number, we must place the United States Bank. It has for some time been in an equivocal position, but it must now be pronounced broken to all intents and purposes. The last assignment has been made in such a way as to secure the corporate existence of the bank: and, like the Miami Exporting Co., and other Ohio banks that broke some twenty years ago, it may be revived some years hence as a paper money manufactory. But, till that event occurs, we must class it with the *broken* banks.

The next on the list is, the North American Trust and Banking Company of New York. This is one of what are improperly called "the free banks." It was formed in 1838, with a special view, as we have reason to believe, of getting possession of the public deposits. It failed in this object, and has ever been of a sickly constitution. Its capital consists principally of bonds and mortgages, the exact value of which will be known when they come to be sold. Like the United States Bank, it has dabbled extensively in State stocks.

The founders of this bank were men of magnificent views. They took out a charter to last for *four hundred and sixty-three years.* They commenced with two millions of capital *subscribed,* (we do not say *paid,*) and with the privilege of increasing the capital to *fifty millions.* According to the return of January last, the amount of capital paid in was $3,285,900: but this capital, as already remarked, consisted principally of bonds and mortgages, and of these bonds and mortgages no interest has been received during the preceding six months, on $2,154,316. The circulation of the bank was then small, only $1,980; and its specie still smaller, $964. Its liabilities, besides its circulation, amounted to $4,650,684, of which $2,711,687 were due in Europe. Its assets amounted to $7,348,839: but of these, upwards of two millions consisted of bonds forming the capital stock on which no interest was paid; upwards of $1,200,000 of bonds for money lent, on which, likewise, no interest was paid; upwards of one million and a half in Arkansas, Indiana and Florida bonds, &c.

Some of the New York editors have been congratulating the public, that so little has been lost on the circulating medium created by the "free banks." But the losses which individuals sustain through the depreciation of bank notes, occasioned by the stoppage of banks, are among the *least* of the evils of paper money banking. What has been lost, and what will be lost by widows, orphans, and others, who have bought shares at high prices in the North American Trust, and other "free banks"? The stock of this same North American Trust and Banking Company, has been sold at three dollars and half a share. We know of some persons, very astute generally in what relates to their private concerns, who bought shares when they were but little below par.

Still the losses sustained by holders of depreciated bank notes, and by holders of depreciated stocks, are *as nothing,* when compared with the evils paper money banking produces through its interference with all the regular operations of industry, and through its general demoralization of the community.

We mentioned in our last, that the Bank of Steubenville, Ohio, had failed. This bank was incorporated in 1809, and in 1816 its charter was extended to 1843. In 1830 it failed, and on examination it was found that it had a circulation of thirteen thousand dollars, to redeem which and to pay the private depositors, and $172,000 of Government deposits, there was in the vaults the sum of *two dollars and sixty-two cents.*

In 1839, the bank was revived by a clique of Buffalo financiers, who succeeded in throwing a great amount of its notes into circulation in the southern part of Ohio, and the western part of New York. On the 5th of August it suspended.

A Savannah paper states that the Bank of Rome, in the western part of Georgia, has closed its doors.

BANK DEFAULTS.

The failure of the Mineral Point Bank, Wisconsin, of which mention was made in our last, was accompanied, as is not unusual in such cases, with a bank default. The cashier, a Mr. Knapp, fled into Illinois, but was pursued by some of the public authorities, and arrested at Rockford. Before he was taken back to Mineral Point, he gave into the hands of a friend some books which he stated he did not consider safe in his possession. This fact leaked out, and the multitude, (always impertinently curious in such matters,) insisted on the books being examined. The examination was made, and there were found certificates of deposit, and other valuables, amounting in all to about one hundred thousand dollars, ingeniously secured under the fly, or blank leaves of the books.

In our last, we mentioned the loss of notes, amounting in all to about 72,000 dollars, by the branch of the Farmers' Bank at Danville, Virginia. As great part of the notes were cancelled, and all the specie in the bank was left untouched, the editor of the Farmers' Register thought that the depredator in this instance must have been some other than a bank officer. Mr. Joseph P. Terry, the teller of the bank, has, however, since been arrested, on suspicion, and circumstances are said to be strong against him. Mr. T. received part of his education in the Brandon Bank of Mississippi, an excellent school of modern financiering. The money stolen from the bank has been recovered. It was found in a burying ground, secreted under a tomb.

Farrington, the late President of the Gallipolis Bank, Ohio, has not been released from confinement, but only from prison labor till a new trial can be had.

The Augusta (Georgia) Constitutionalist, speaks of defalcations by two bank clerks at Columbus, amount not exactly known, but probably not over $100,000, nor less than $40,000. The Cashier says the deficiency is small, and the bank fully secured.

DEPRECIATION OF STOCKS.

Bicknell's Reporter contains the following table of the capital of some of our incorporated institutions, of the prices their shares bore in 1838, and of the prices they bear at present.

NAMES.	Capital.	Par Value.	Value. Aug. 14, 1838.	Value. Aug. 27, 1841.	Depreciation.
United States Bank,	35,000,000	100	123	10	39,550,000
North America,	1,000,000	400	408	300	270,000
Pennsylvania,	2,500,000	400	500	260	1,500,000
Philadelphia,	1,800,000	100	108	75	594,000
Farmers' & Mechanics',	1,250,000	50	62	45	425,000
Commercial,	1,000,000	50	63	44	380,000
Mechanics',	1,400,000	35	54	26	1,120,000
Northern Liberties,	350,000	35	48	30	180,000
Schuylkill,	1,000,000	50	50	5*	900,000
Southwark,	[illegible]	50	60	45	75,000
Kensington,	250,000	50	75	40	175,000
Penn Township,	500,000	50	75	40	350,000
Girard,	5,000,000	50	53	28	2,500,000
Western,	500,000	50	53½	30	235,000
Manufac. & Mechanics',	401,300	50	55	35	160,520
Moyamensing,	250,000	50	55	38	85,000
Schuylkill Navigation Co.	1,666,000	5	166	46	3,998,000
Schuylkill Loans,	2,200,000	100	95	70	550,000
Lehigh Coal Company,	1,500,000	50	90	15	1,950,000
Lehigh Loans,	4,400,000	100	100	60	1,760,000
* Nominal.	62,217,300				56,747,920

We are told by high authority, that

> "The real value of a thing,
> "Is just as much as it will bring."

If this be true, there has, in the short space of two years, been an aggregate loss of *fifty-seven million* dollars, on an aggregate capital of *sixty-two* millions—a loss unparallelled since the days of the South Sea bubble.

The distich might, however, be amended so as to read,

> "The real value of a thing,
> "Is just that which it *ought* to bring."

If this be a correct principle, some stocks may have been estimated too high in 1838, and some may be estimated too low in 1841. Had, for example, the character of the assets of the United States Bank been generally known in 1838, its shares would not have brought 123 in the market.

THE UNITED STATES BANK.

The whole number of suits brought against the United States Bank since the first of January, in the present year, is about one hundred and eighty. The *judgments* given against it, in the last nine months, in the District Court alone, are upwards of one hundred, for various amounts varying from one hundred to one hundred thousand dollars. Besides these, between fifty and sixty judgments have, in the same period, been given against it, in the Court of Common Pleas, for various amounts, from ten dollars to one hundred dollars.

As the prospect was that the number of suits would increase, the Directors deemed it best to make an assignment of the greater part of such of the effects of the bank as remained under their control: and such an assignment was accordin[illegible] made on the 4th of September, to James R[illegible]son, James S. Newbold, Richard H. Bayard, Herman Cope, and Thomas S. Taylor.

This is probably the best thing that could have been done—the best for the creditors of the bank, the best for the stockholders, the best for the public.

Two previous assignments had been made of portions of the effects of the bank, one to secure the payment of the debts due to the city banks, and another to secure the note holders.

The only preferences in the last assignments are in favor of the persons who have become sureties for the bank.

The three assignees whose names are first mentioned, are to receive for their services fifteen hundred dollars a year, each: and the last mentioned two, are each to receive four thousand dollars a year.

Certain stocks said to be of little value are excepted from the assignment. They are shares in improvement companies in the interior of the State, to which the bank was compelled to subscribe, as one of the conditions on which its charter was granted. Besides this, it is stated in one of the papers, that about fifteen millions of suspended debts are not included in the assignment.

On the 6th inst., a supplementary assignment was made, intended to cover such balances as may result from the previous assignments made in Europe and America.

The history of this bank is a beautiful illustration of the nature of our banking system. How long it has been in a state of insolvency, is a question which it is easier to ask than to answer. Some think it has been in a very unsound condition for many years. Be this as it may, its credit was good, not only in the United States, but all the world over; and credit well managed will stand a bank in place of capital. It lost its credit chiefly through its stock jobbing operations. If it had confined itself to business paper, its fate would have been different.

Some of the incidents connected with the chartering of the bank by the Legislature of Pennsylvania, are still a subject of discussion in the daily papers.

Mr. Wm. B. Reed, the member of the Legislature who was accused of having received a sum of money from the bank for the services he rendered on that occasion, repels the charge in the columns of the Public Ledger. "Not a cent of money," he says, "was ever paid to me or for my benefit, either directly or indirectly, by the bank or any of its officers, in consequence of any public act of mine." For services rendered to the bank as a lawyer, after he left the Legislature, he states he has been "moderately compensated." In company with a committee of the board he visited Pittsburg, Erie, and New Brighton, preparatory to the establishment of branches in those places. "Employed, as I had no doubt I was by the Directors, and having faithfully discharged the duty assigned to me, it was sufficient if the President, or any accredited officer of the institution, had transmitted to me the compensation I had earned."

His anonymous assailant maintains that two [illegible]and dollars was more than a moderate com[illegible] for services which many a one would

have been glad to perform, simply on condition of his travelling expenses being paid.

There ought to be a *thorough* investigation of the affairs of this bank. The stockholders ought to have the poor consolation of knowing what has become of their money.

The notes of the bank have been sold at a discount of 35, currency; and its stock has been sold at $7 a share, Philadelphia currency.

VETO MESSAGE

From the President of the United States,

RETURNING, WITH HIS OBJECTIONS, THE BILL "*To provide for the better collection, safe keeping, and disbursement of the public revenue, by means of a Corporation, to be styled the Fiscal Corporation of the United States.*"

To the House of Representatives of the United States:

It is with extreme regret that I feel myself constrained, by the duty faithfully to execute the office of President of the United States, and to the best of my ability to preserve, protect, and defend the Constitution of the United States, to return to that House in which it originated, the bill "to provide for the better collection, safe keeping, and disbursement of the public revenue, by means of a corporation to be styled the Fiscal Corporation of the United States," with my written objections.

In my message sent to the Senate on the 16th day of August last, returning the bill "to incorporate the subscribers to the Fiscal Bank of the United States," I distinctly declared that my own opinion had been uniformly proclaimed to be against the exercise "of the power of Congress to create a National Bank to operate *per se* over the Union;" and entertaining that opinion, my main objection to that bill was based upon the highest moral and religious obligations of conscience and the Constitution. I readily admit, that whilst the qualified *veto* with which the Chief Magistrate is invested should be regarded, and was intended by the wise men who made it a part of the Constitution, as a great conservative principle of our system, without the exercise of which, on important occasions, a mere representative majority might urge the Government in its legislation beyond the limits fixed by its framers, or might exert its just powers too hastily or oppressively; yet it is a power which ought to be most cautiously exerted, and perhaps, never, except in a case imminently involving the public interest, or one in which the oath of the President, acting under his convictions, both mental and moral, imperiously require its exercise. In such a case he has no alternative.

He must either exert the negative power intrusted to him by the Constitution chiefly for its own preservation, protection, and defence, or commit an act of gross moral turpitude. Mere regard to the will of a majority must not, in a constitutional republic like ours, control this sacred and solemn duty of a sworn officer. The Constitution itself I regard and cherish as the embodied and written will of the whole people of the United States. It is their fixed and fundamental law, which they unanimously prescribe to the public functionaries—their mere trustees and servants. This, their will, and the law which they have given us as the rule of our action, has no guard, no guarantee of preservation, protection, and defence, but the oaths which it prescribes to the public officers, the sanctity with which they shall religiously observe those oaths, and the patriotism with which the people shall shield it by their own sovereign will, which has made the Constitution supreme. It must be exerted against the will of a mere representative majority, or not at all. It is alone in pursuance of that will that any measure can ever reach the President; and to say that because a majority in Congress have passed a bill the President should therefore sanction it, is to abrogate the power altogether, and to render its insertion in the Constitution a work of absolute supererogation. The duty is to guard the fundamental will of the people themselves from (in this case I admit unintentional) change or infraction by a majority in Congress. And in that light alone do I regard the constitutional duty which I now most reluctantly discharge.

Is this bill, now presented for my approval or disapproval, such a bill as I have already declared could not receive my sanction? Is it such a bill as calls for the exercise of the negative power under the Constitution? Does it violate the Constitution by creating a national bank, to operate *per se* over the Union? Its title, in the first place, describes its general character. It is "An act to provide for the better collection, safe keeping, and disbursement of *public* revenue, by means of a *corporation*, to be styled the *Fiscal Corporation* of the *United States*." In style, then, it is plainly national in its character.

Its powers, functions, and duties, are those which pertain to the *collecting*, *keeping*, and *disbursing* the *public* revenue. The means by which these are to be exerted is a *corporation*, to be styled the *Fiscal* Corporation of the *United States*. It is a corporation created by the Congress of the United States, in the character of a National Legislature for the whole Union, to perform the *fiscal* purposes, meet the *fiscal* wants and exigencies, supply the *fiscal* uses, and exert the *fiscal* agencies of the Treasury of the United States. Such is its own description of itself. Do its provisions contradict its title? They do not. It is true, that by its first section it provides that it shall be established in the District of Columbia, but the amount of its capital—the manner in which its stock is to be subscribed for and held—the persons, bodies, corporate and politic, by whom its stock may be held—the appointment of its directors, and their powers and duties—its fundamental articles, especially that to establish agencies in any part of the Union—the corporate powers and business of such agencies—the prohibition of Congress to establish any other corporation with similar powers for twenty years, with express reservation in the same clause, to modify or create any bank for the District of Columbia, so that the aggregate capital shall not exceed five millions; without enumerating other features which are equally distinctive and characteristic, clearly show that it cannot be regarded as other than a Bank

of the United States, with powers seemingly more limited than have heretofore been granted to such an institution. It operates *per se* over the Union, by virtue of the unaided, and, in my view, assumed authority of Congress as a National Legislature, as distinguishable from a bank created by Congress for the District of Columbia, as the local legislature of the District. Every United States Bank heretofore created has had power to deal in bills of exchange, as well as in local discounts. Both were trading privileges conferred, and both exercised by virtue of the aforesaid power of Congress, over the whole Union. The question of power remains unchanged, without reference to the extent of privilege granted. If this proposed corporation is to be regarded as a local bank of the District of Columbia, invested by Congress with general powers to operate over the Union, it is obnoxious to still stronger objections. It assumes that Congress may invest a local institution with general, or national powers. With the same propriety that it may do this in regard to a bank of the District of Columbia, it may as to a State bank. Yet who can indulge the idea that this Government can rightfully, by making a State bank its fiscal agent, invest it with the absolute and unqualified powers conferred by this bill? When I come to look at the details of the bill, they do not recommend it strongly to my adoption. A brief notice of some of its provisions will suffice.

1st. It may justify, substantially, a system of discounts of the most objectionable character. It is to deal in Bills of Exchange drawn in one State, and payable in another, without any restraint. The Bill of Exchange may have an unlimited time to run, and its renewability is no where guarded against. It may, in fact, assume the most objectionable form of accommodation paper. It is not required to rest on any actual, real, or substantial exchange basis. A drawer in one place becomes the acceptor in another, and so in turn the acceptor may become the drawer, upon a mutual understanding. It may, at the same time, indulge in mere local discounts, under the name of Bills of Exchange. A bill drawn at Philadelphia on Camden, New Jersey; at New York on Bordentown, in New Jersey; at Cincinnati on Newport, Kentucky;—not to multiply other examples, might, for anything in this Bill to restrain it, become a mere matter of local accommodation. Cities thus relatively situated, would possess advantages over cities otherwise situated, of so decided a character, as most justly to excite dissatisfaction.

2nd. There is no limit prescribed to the premium in the purchase of bills of exchange; thereby correcting none of the evils under which the community now labors, and operating most injuriously upon the agricultural States, in which the inequalities in the rates of exchange are now severely felt. Nor are these the only consequences. A resumption of specie payments by the banks of these States, would be liable to indefinite postponement; for as the operation of the agencies of the interior would chiefly consist in selling bills of exchange, and the purchases could only be made in specie, or in notes of banks paying specie, the States Banks would either have to continue with their doors closed, or exist at the mercy of this national monopoly of brokerage. Nor can it be passed over without remark, that whilst the District of Columbia is made the seat of the principal bank, its citizens are excluded from all participation in any benefit it might afford, by a positive prohibition of the bank from all discounting within the District.

These are some of the objections which prominently exist against the details of the Bill; others might be urged of much force—but it would be unprofitable to dwell upon them. Suffice it to add, that this charter is designed to continue for twenty years without a competitor—that the defects to which I have alluded, being founded in the fundamental law of the corporation, are irrevocable—and that if the objections be well founded, it would be over hazardous to pass the Bill into a law.

In conclusion, I take leave most respectfully to say, that I have felt the most anxious solicitude to meet the wishes of Congress in the adoption of a Fiscal Agent, which, avoiding all constitutional objections, should harmonize conflicting opinions. Actuated by this feeling, I have been ready to yield much, in a spirit of conciliation, to the opinions of others. And it is with great pain that I now feel compelled to differ from Congress a second time in the same session. At the commencement of this session, inclined from choice to defer to the legislative will, I submitted to Congress the propriety of adopting a Fiscal Agent, which, without violating the Constitution, would separate the public moneys from the Executive control—perform the operations of the Treasury without being burthensome to the people, or inconvenient, or expensive to the Government. It is deeply to be regretted that this department of the Government cannot, upon Constitutional and other grounds, concur with the Legislative Department in this last measure, proposed to attain these desirable objects.

Owing to the brief space between the period of the death of my lamented predecessor and my own installation into office, I was, in fact, not left time to prepare and submit a definite recommendation of my own, in my regular message; and since, my mind has been wholly occupied in a most anxious attempt to conform my action to the Legislative will.

In this communication I am confined by the Constitution to my objections simply to this Bill; but the period of the regular session will soon arrive; when it will be my duty, under another clause of the Constitution, "to give to the Congress information of the state of the Union," and recommend to their consideration such measures as "I shall judge necessary and expedient."

And I most respectfully submit, in a spirit of harmony, whether the present differences of opinion should be pressed farther at this time, and whether the peculiarity of my situation does not entitle me to a postponement of the subject to a more auspicious period for deliberation. The two houses of Congress have distinguished themselves at this extraordinary session, by the performance of an immense mass of labor, at a season very un-

favorable both to health and action; and have passed many laws, which, I trust, will prove highly beneficial to the interests of the country, and fully answer its just expectations. It has been my good fortune and pleasure to concur with them in all measures except this. And why should our differences on this alone be pushed to extremes?

It is my anxious desire that they should not be. I, too, have been burthened with extraordinary labors of late, and I sincerely desire time for deep and deliberate reflection on this, the greatest difficulty of my administration. May we not now pause until a more favorable time, when, with the most anxious hope that the Executive and Congress may cordially unite, some measure of finance may be deliberately adopted, promotive of the good of our common country.

I will take this occasion to declare, that the conclusions to which I have brought myself, are those of a settled conviction, founded in my opinion on a just view of the Constitution—that in arriving at it, I have been actuated by no other motive or desire than to uphold the Institutions of the country, as they have come down to us from the hands of our God-like ancestors—and that I shall esteem my efforts to sustain them—even though I perish—more honorable than to win the applause of men, by a sacrifice of my duty and my conscience.

JOHN TYLER.

Washington, September 9, 1841.

HOW THEY DO THINGS IN OHIO.

Some thirty years ago, a charter was granted to a Library Company, in Newtown, Hamilton county, Ohio, which company, after being in operation about ten years, sold its books by public auction, and dissolved itself to all intents and purposes.

Last fall some enterprising gentlemen from the east, bought up the shares from the stockholders, under the plausible pretext of establishing a manual labor school. But, instead of doing this, they have, under color of the charter, commenced the issue of paper money on a pretty extensive scale. This procedure has excited considerable indignation in the neighborhood, especially since it has been discovered that the company has little wherewith to redeem its issues, except "a library," consisting of Harper's Family Library, some old newspapers, and some rusty novels and tracts. The chief book in the collection is a copy of "Oliver Twist, with engravings."

The company's issues have been known as those of the *Bank of Hamilton County*, Ohio. We know not why so much feeling should be excited. "Bank of Hamilton County" is a very sonorous name. A charter is a charter. And the capital of "The Bank of Hamilton County" is probably quite as sound as that of many other banks which might be mentioned.

THE FOREIGN NEWS.

According to the advices brought by the Brittania, the sufferings of the poor of Great Britain were intense, and there was not much prospect of their being soon alleviated.

Some days before this vessel left Liverpool, a considerable excitement prevailed in the grain market, in consequence of the state of the weather, and a considerable advance took place in the price of wheat and flour. But at the time of her departure, the weather had become very fine, and there was some decline in prices.

A Liverpool house, engaged in the American trade, has failed for, it is said, 50,000 pounds.

A large failure in Glasgow, has increased the gloom in Scotland, occasioned by the failures at Paisley.

INCIDENTS.

Considerable excitement was produced in this city, one day last week, by a statement in one of the papers respecting the Bank of Pennsylvania. The statement was substantially that the deficiency of Smith, a former clerk, was nine hundred thousand dollars instead of one hundred thousand, and that the bank had, in imitation of the U. S. Bank, made an assignment of its effects. The President of the bank promptly came forward, and under his own signature declared that there was "no foundation for such rumors!"

A Mr. Charles Esenwein, a merchant of this city, has been "financiering" in a manner for which he will be punished, if he can be caught, as he had no "charter" for his doings. He took possession of great part of the effects of two commercial houses, with which he was connected, one in this city and one in New York, and with these effects embarked for Europe. He is a German by birth, and was extensively engaged in the tobacco trade.

CONGRESS.

The land distribution bill having passed both Houses, and received the signature of the President, has become a law.

The revenue bill was amended in the Senate, by striking out the duty on tea and coffee. This made it necessary, after the bill had passed the Senate, to send it back to the House: and in the House other amendments were made, which made it necessary to return it to the Senate.

The Fiscal *Corporation* bill was, on the 3d of September, passed by the Senate. Yeas 27, nays 22. On the 9th, the President sent it back to the House, with a message, of the character of which it is unnecessary to speak, as we spread it at length before our readers.

ACKNOWLEDGEMENTS.

We are indebted to the Hon. Messrs. Hastings of Ohio, Bidlack of Pennsylvania, and Waterston of Tennessee, for copies of speeches delivered by them in the House of Representatives.

To one member of the House of Representatives, we are indebted for a list of subscribers, containing his own name and the names of a goodly number of his fellow members. A member of the Senate had previously shown us the like kindness, by sending us the names of a number of his fellow Senators.

We are also under obligations to gentlemen in Pittsburg, Pa.; Pikesville, Md.; Columbia, Ill., and Benton, Miss. for additions to our list of subscribers.

PRICES OF BANK NOTES AND SPECIE.

Saturday, September 11th, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	¼ *a* ⅜ dis.	— *a* 2 pr.
New Hampshire	¼ *a* ⅜ dis.	— *a* 2 pr.
Vermont	¼ *a* ⅜ dis.	— *a* 2 pr.
Massachusetts	¼ *a* ⅜ dis.	— *a* 2 pr.
Rhode Island	¼ *a* ⅜ dis.	— *a* 2 pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 2 pr.
New York City	Standard.	2⅛ *a* — pr.
New York State	⅜ & ⅝ *a*—dis.	2¼ *a* — pr.
East Jersey	½ *a* — dis.	— *a* 2¼ pr.
West Jersey	3 *a* — dis.	Par *a* 1 dis.
Philadelphia	3 *a* — dis.	Standard.
Pennsylvania, East	3 & 5 *a*—dis.	Par *a* ¾ dis.
" West	3 & 5 *a*—dis.	Par.
Delaware	3 *a* — dis.	Par.
Baltimore	2½ *a* — dis.	⅛ pr. *a* par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	3¾ *a* — dis.	1¼ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	4 *a* — dis.	2 dis.
South Carolina	2 & 3½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	2 *a* 40 dis.
Alabama	9 *a* — dis.	6½ *a* — dis.
Louisiana	5 *a* 6 dis.	—— 3 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	9 *a* — dis.
Kentucky	9½ *a* — dis.	7 dis.
Missouri		7 dis.
Illinois	10½ *a* — dis.	8½ dis.
Indiana	9½ *a* — dis.	8 dis.
Ohio	9½ *a* — dis.	4 *a* 7 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	2½ *a* 2¾ pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.25 *a* 16.50	16.30 *a* 16.40
Patriot Doubloons	15.70 *a* 15.80	15.90 *a* 16.00
Spanish Dollars	4 *a* 5 pr.	4 *a* — pr.
Mexican Dollars	1 *a* 1½ pr.	3 *a* — pr.
Five Franc Pieces	94 *a* 94½ cents	95 *a* 96
Half Dollars	Par *a* ¼ pr.	2¼ *a* — pr.
BILLS OF EXCHANGE ON		
London	9 *a* 9½ pr.	11½ *a* 12¼ pr.
France	— *a* 5.20	5.07¼ *a* —
Holland	40 *a* 40¼	40¾ *a* 41
Hamburg	36 *a* 36¼	37½ *a* —
Bremen	— *a* 78	80 *a* —
Boston	⅛ *a* ¼ dis.	2⅜ *a* 2½ pr.
New York		2⅝ *a* 2¾ pr.
Philadelphia	2¾ *a* 3 dis.	
Baltimore	1¾ *a* 2 dis.	½ *a* ¾ pr.
Richmond	3 *a* 3½ dis.	— *a* 1 dis.
North Carolina	3½ *a* 3¾ dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 1 pr.
Savannah	3 *a* 3¼ dis.	— *a* 1 dis.
Augusta	— *a* 4 dis.	
Columbus	16 *a* 17 dis.	
Macon	15 *a* 16 dis.	
Mobile	8 *a* 8¼ dis.	6¼ *a* 6½ dis.
New Orleans	4 *a* 4¼ dis.	2 *a* 2¼ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	10 *a* 11 dis.	8 *a* — dis.
St. Louis	8¼ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	5 *a* 6 dis.
Cincinnati	8¼ *a* 8½ dis.	— *a* 6 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	7 *a* 11⅛	11 *a* 13
Mobile	7 *a* 11½	10 *a* 13⅛
Upland	7 *a* 10	9¼ *a* 12¼
Flour, Western Canal, per bbl.	6.75 *a* ——	
Philadelphia	—— *a* ——	6.75 *a* 7.00
Rye Flour	3.75 *a* 3.87½	3.62½ *a* 3.75
Indian Meal	3.62½ *a* 3.87½	3.37½ *a* 3.75
Grain—Wheat, per bush	1.40 *a* ——	1.46 *a* 1.50
Rye	76 *a* 77	62 *a* 69
Corn	75 *a* 76	69 *a* 73
Oats	— *a* 50	44 *a* 47
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 32½	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4 *a* 4⅛	4½ *a* 4⅝
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 10½	4 *a* 10
Wool, American, Merino, per lb.	42 *a* 45	38 *a* 40
Common	25 *a* 30	25 *a* 30
Whiskey, Rye, per gal	25 *a* ——	24 *a* 25
Provisions, Mess Beef, per bbl.	9.25 *a* 9.75	10.00 *a* ——
Mess Pork, per bbl.	10.00 *a* 11.00	10.00 *a* 10.25
Hams, per lb.	4 *a* 8	6 *a* 10
Lard, per lb.	7 *a* 8⅛	6¼ *a* 8¼
Cheese, per lb.	5½ *a* 6½	7 *a* 7½
Rice, per lb.	3¾ *a* 3⅞	3½ *a* 4

BANK NOTES.

The Ohio Statesman cautions the public against the Urbana Banking Company, affirming that its concerns are in a condition something like that of the West Union and Galliopolis banks. The Wayne County (Ohio) Democrat cautions the farmers against the German Bank of Wooster—a caution which we trust they received in time, as that bank has since proved a total failure.

A correspondent of the Spirit of the Times, says the Erie Bank "has entered into arrangements to take 250,000 dollars of the relief bill loan;" in other words, the Erie Bank has agreed to issue 250,000 dollars of our new *State* paper money. These notes will be receivable in payment of debts due to the Bank of Erie and to the State. The notes of the Erie Bank are now at a depreciation of 8 or 10 per cent. in Philadelphia, which depreciation will not be lessened by the contemplated emission of more paper.

BANK DEFAULTS.

We have just heard of two additional bank defaults. The first has been committed by a Mr. Jones, teller of the Mechanics & Farmers Bank, Troy, N. Y. He has just gone off with ten thousand dollars belonging to the bank, and, one of the newspapers says, "a young lady belonging to the public."

The second has been committed by the cashier of the Cape Fear Branch Bank, at Raleigh, N. C. "No suspicion had been excited," says the Farmer's Register, "but the president of the mother bank finding that times were squally, and defalcations being brought to light plentifully, and even where least suspected, thought he would make a general tour of inspection to all his branches. The Raleigh defalcation was the first fruit of his investigation. The newspapers of Raleigh say not one word about the matter. Our information is derived from gentlemen just arrived from Raleigh, and who well know the facts as there reported and believed. Would it not be a good plan to have a general official search into the accounts and funds of all *unsuspected* banks?" On the 6th, the amount of deficit was ascertained to be 12,000 dollars.

THE STATE OF TRADE.

A fair amount of business is doing. Cotton has fallen in New York, one cent a pound, since the publication of our last number. It is the only article, we believe, that has fallen, since we commenced issuing this journal. We have remarked that in commodities there has been a general rise of prices, and this, with other signs, has induced us to fear that more currency troubles are yet to be encountered.

The news brought by the Brittania, caused quite a commotion in the flour market. The agents of speculators hastened from Boston to Albany, and thence to places in western New-York, buying up all the flour they could lay hands on. Flour rose, but the rise was temporary. It is quoted in the New York Price Current of Saturday, Sept. 11th, at precisely the same price as on Saturday, August 28th, two weeks previous. At Philadelphia there has been an advance, however, of 25 cents a barrel.

THE STOCK MARKET.

It cannot be said that the stock market is dull, for many sales have been effected. But in nearly all kinds of stocks, a decline of prices has taken place. This is owing to a variety of causes. It is rumoured, and by some believed, that the British government will make a peremptory demand for the release of M'Leod. This immediately affects the price of State stocks, as, in the case of a rupture with Great Britain, the best market for them would be cut off. In Philadelphia, the explosion of the United States Bank, has naturally and necessarily, shaken confidence in all banks.

The Government has advertised for an additional loan of one million. Let a close watch be kept on such of the banks as take the whole, or any part of it.

THE VETOS.

The effect of President Tyler's two vetos, has been at once to dissolve the cabinet, and also the dreams of those bubble-blowers who hoped by an infusion of United States into the general mass of credits, to raise the price of every thing.

Walter Forward of Pennsylvania is to be Secretary of the Treasury. Judge Upshur of Virginia is to be Secretary of the Navy. Judge McLane of Ohio is to be Secretary of War: and Mr. Wickliffe of Kentucky, is spoken of as the new Post-Master-General.

It is uncertain as yet, what system of fiscal management will receive the sanction of the President and his new cabinet.

The President's Message has obliged us to exclude several articles prepared for this number—among others, a notice of the Bank Reformer, a new periodical lately started at Petersburg, Virginia.

The chapter on Banks as Corporations, begun in our last, is continued on the next page.

What is worst of all, (if worse than what has already been stated be possible,) is, that want of moral feeling and responsibility which characterizes corporations. A celebrated English writer expressed the truth, with some roughness, but with great force, when he declared that "corporations have neither bodies to be kicked, nor souls to be damned."

All these objections apply to our American Banks.

They are protected, in most of the States, by direct inhibitions on individuals engaging in the same business.

They are exempted from liabilities to which individuals are subjected. If a poor man cannot pay his debts, his bed is, in some of the States, taken from under him. If that will not satisfy his creditors, his body is imprisoned. The shareholders in a bank are entitled to all the gain they can make by banking operations; but if the undertaking chances to be unsuccessful, the loss falls on those who have trusted them. They are responsible for no more than the amount of stock they may have subscribed.

For the old standard of value, they substitute the new standard of bank credit. Would government be willing to trust to corporations the fixing of our standards and measures of length, weight, and capacity? Or are our standards and measures of value of less importance than our standards and measures of other things?

They coin money out of paper. What has always been considered one of the most important prerogatives of government, has been surrendered to the banks.

In addition to their own funds, they have the whole of the spare cash of the community to work upon.

The credit of every business man depends on their nod. They have it their power to ruin any merchant to whom they may become inimical.

We have laws against usury; but if it was the intention of the legislature to encourage usurious dealings, what more efficient means could be devised than that of establishing incorporated paper money banks?

Government extends the credit of these institutions, by receiving their paper as an equivalent for specie, and exerts its whole power to protect and cherish them. Whoever infringes any of the chartered privileges of the banks, is visited with the severest penalties.

Supposing banking to be a good thing in itself, why should bankers be exempted from liabilities to which farmers, manufacturers, and merchants are subjected? It will not surely be contended that banking is more conducive than agriculture, manufactures, and commerce, to the progress of national wealth.

Supposing the subscribers to banks to be substantial capitalists, why should artificial power be conferred on them by granting them a charter? Does not wealth of itself confer sufficient advantages on the rich man? Why should the competition among capitalists be diminished, by forming them into companies, and uniting their wealth into one mass?

Supposing the subscribers to banks to be speculators without capital—what is there so praiseworthy in their design of growing rich without labor, that government should exert all its powers to favor the undertaking?

Why should corporations have greater privileges than simple copartnerships?

On what principle is it, that, in a professedly republican government, immunities are conferred on individuals in a collective capacity, that are refused to individuals in their separate capacity?

To test this question fairly, let us suppose that a proposition were made to confer on fourteen individuals in Philadelphia, and three or four hundred individuals in other parts of the country, the exclusive privileges which three or four hundred incorporated banks now possess. How many citizens would be found who would not regard such a proposition with horror. Yet privileges conferred on corporations are more pernicious, because there is less moral feeling in the management of their concerns. As directors of a company, men will sanction actions of which they would scorn to be guilty in their private capacity. A crime which would press heavily on the conscience of one man, becomes quite endurable when divided among many.

We take much pride to ourselves for having abolished entails, and justly, in so far as the principle is concerned: but it seems to be lost sight of by many that entails can prove effective only where the land is of limited extent, as in Great Britain; or where the mass of the population are serfs, as in Russia. In those districts of our country where negro slavery prevails, entails, aided by laws of primogeniture, would have kept estates in a few hands: but in the middle and northern States, a hundred ways would have been contrived for breaking the succession. If direct attempts had proved unsuc-

cessful, the lands would have been let on leases of ninety-nine, or nine hundred and ninety-nine years, which would have been nearly the same in effect as disposing of them in fee simple. The abundance of land prevents its being monopolized. Supposing the whole extent of country, from the Atlantic to the Pacific, and north of the 39th degree of latitude, parcelled out among a few great feudatories; those feudatories, in order to derive a revenue from their domains, would be forced to lease them in a manner which would give the tenants the whole usufruct of the terrene; for the quit rent would be only an annual payment, instead of a payment of the whole in advance.

But the floating capital of the country is limited in amount. This, from the condition of things, may be monopolized. A small portion of the community have already, through the agency of banking operations, got possession of a great part of this floating capital, and are now in a fair way of getting possession of much of the remainder. Fixed and floating capital must be united to produce income, but he who has certain possession of one of these elements of revenue, will not long remain without the other.

The difference between England and the United States, is simply this: in the former country, exclusive privileges are conferred on individuals who are called *Lords;* in the latter, exclusive privileges are conferred on corporations which are called *Banks.* The effect on people of both countries is the same. In both the many live and labor for the benefit of the few.

CHAPTER X.

Of the Popular Arguments in favor of Banking.

The objections to the American Banks are of three kinds. First, such as arise from their substituting paper money for metallic. Secondly, such as arise from their introducing an unsound system of credit. And thirdly, such as arise from their nature as corporations. If the reader will take a view of all the different operations of the banks, connecting them together in his mind as they are connected in fact, he will require no refutation of the popular arguments in favor of the system. Nevertheless, it may not be amiss, for the satisfaction of some, to consider these arguments in the form in which they are commonly presented.

"*Banks make money plenty.*"

No, they make *real* money scarce. As bank notes are circulated, gold and silver are driven away. It is contrary to the laws of nature for two material bodies to fill the same space at the same time: and no fact is better established than that, where there are two kinds of currency authorized by law or sanctioned by custom, that which has the least value will displace the other. If banks at any time make money more plentiful than it would be if only gold and silver circulated, they diminish its value in increasing its quantity. The valuation, or relative estimation of things, is thereby enhanced, but not an atom is added to the wealth of the community.

"*Banks diminish the rate of interest.*"

So far is this from being true, that the banks tend to increase the rate of interest, by collecting capital into large masses, and diminishing the competition among money lenders. They also, by their various operations, immediate and remote, give rise to a multitude of usurious transactions.

"*Banks do much good by lending money to individuals.*"

But much less good than would be done, by the owners of this money lending it themselves. Banks, as was observed in a previous chapter, do not increase the loanable capital of the country, but only take it out of the hands of its proprietors, and place it under the control of irresponsible Bank Directors.

"*If there were no bank notes, specie must of necessity be frequently transported to and from distant parts of the country, at great expense and great risk.*"

The trade between different parts of the country is not an interchange of bank notes or of specie, but of the products of the soil and the industry of the inhabitants. By private bills of exchange, the sums due to one trader could be transferred to another; and it would be necessary only occasionally to discharge balances in specie. This is, in fact, the present custom of trade, bank notes being to only a limited extent, substitutes for bills of exchange.

"*Banks diminish the rate of exchange between different parts of the country.*"

Then they do great evil. The rate of exchange is the natural balance-wheel of trade. Banks cannot interfere with this, without doing harm. When they lessen the rate of

exchange, they remove a natural check on overtrading.

"*Banks give greater security than individuals in buying and selling exchange.*"

If they do, it is because the other operations of banking have rendered all kinds of business uncertain. In countries where paper money is unknown, no more risk attends dealings in exchange than attends other kinds of dealings.

"*Such are the customs of trade in the United States, that banking seems necessary.*"

But the customs herein referred to have their origin in an improper system of banking, and, as they are pernicious, ought to be abolished.

"*All commercial countries have some system of banking.*"

And none have a worse system than the United States. In all commercial countries, there are men who receive money on deposit, lend money, and deal in exchanges; but the system of banking on *paper* money, is of modern origin. The cities of Greece and Rome, and Egypt, and ancient Asia, attained to wealth far greater than we can boast of, without the aid of chartered banks. In all countries in which paper money banking, or paper money of any kind, has been introduced, it has done much evil. Austria, Russia, Sweden, France, Denmark, Portugal, Brazil, and Buenos Ayres, all bear witness to this truth, as well as England and the United States. To these countries we may add China, in which paper money was tried before the commencement of our era, and, on experience of its ill effects, abandoned.

"*The various evils that are mentioned as flowing from banking, proceed, in fact, from abuses of it. Banking on proper principles is productive of great benefits.*"

We willingly admit that banking on *proper* principles would be productive of great benefits: but we deny that banking with paper money, or by corporations possessing peculiar privileges, is banking on proper principles.

"*Paper is more convenient than specie in large payments.*"

Deduct from the total of large payments, all those that are made on account of accommodations at bank, and all those made on account of the wild speculations introduced by banking, and it will be found that so few large payments would remain to be made, that we should be able to get through them all without difficulty. To count out a sum in ten or twenty dollar gold pieces, would be as easy as to count it out in ten or twenty dollar bank notes. Before the establishment of a bank in Montreal, guineas were done up in rouleaus, and such was the confidence the merchants had in one another, that the paper envelopes of the guineas were seldom broken. We mention this merely to show that the effecting of large payments with metallic money, would not be a work of so much difficulty as some imagine. In cases where great despatch was required, the silver or gold money might be weighed, as was done by the Bank of England in 1825, when the demands for gold were so urgent, that the tellers had not time to count the sovereigns they paid out.

If we wish to effect large payments with the least possible inconvenience, we must establish a *single* office of deposit and transfer in each large town. This would save the time which is now lost in running from bank to bank.

"*Paper saves the wear and tear of coin.*"

The saving is too insignificant to be taken into a national account, in a subject of so much importance as the soundness of the currency. Mr. Gallatin says that "the annual amount wanted to repair the loss occasioned by friction in gold and silver coin, cannot exceed, taking the highest computation, seventy thousand dollars a year in a coinage of forty millions, and is probably much less." This estimate has been formed by Mr. G., "from various opinions deduced from actual experiments."

Dr. Moore, the Director of the United States Mint, in a report made to the President in 1826, computes the loss on gold coins at two per cent. in fifty years, and on silver coins at only one per cent.

According to the report made to the Senate by the Committee of which Mr. Sanford was chairman, half-dollars and half-eagles will circulate for one hundred years, and dollars and eagles for two hundred years, without being so much worn or defaced as not to serve the purposes of a circulating medium.

"*Banks afford the public a safe place for depositing their funds.*"

Not always. One hundred and sixty of these safe depositories, have broken in the last twenty years, and one hundred and sixty more may break in the twenty years next to come.

Again: all those who deposited money in the banks in the early part of 1814, received back their deposits in money of inferior value.

What has happened once, may happen more than once.

The probability is, that ten times as much has been lost by depositing money in banks, as would have been lost if people had kept their money in their own houses.

"*Every man ought to be allowed to use his own credit.*"

Exactly so; and therefore we ought not to have incorporated banks, which give credit to some, by taking it from others. These institutions owe their credit to acts of Assembly. If their charters were taken from them, not even their own stockholders would trust them. Every man ought to be allowed to use his own credit; but he ought to get that credit fairly, and use it properly.

"*If there were no banks, it would be easy to borrow money on bond or mortgage, for long periods, but it would not be possible to obtain discount of merchants' business paper, which has but a few months to run.*"

Not so: if the corporate banks of Philadelphia were abolished, many private banks would spring up in their place. The owners of these private banks would be men in whom the public could place confidence, for they would be responsible in the whole amount of their estates. They would be men of great wealth, for it is in lending money that men of large fortunes can employ their capitals with most profit and convenience. The competition among them would be such, that business notes would be discounted on more favorable terms than at present. They would allow interest on such sums as their customers might leave in their hands. For their own convenience, they would establish a public office of transfer and deposit, and pay the greater part of the expenses of this institution.

The system of private banking in England, has done much evil, (though much less evil than the system of corporate banking in the United States,) because the private banks of England have traded partly on paper money issued by themselves, and partly on that issued by the Bank of England.

In Scotland, where the regulating power is in the unincorporated banks, the system does less evil than in England, although paper money is used in both countries.

Private banking in Switzerland, Holland, France, Hamburg, and Bremen, does much good and no evil. Such a system will we have in the United States, when paper money shall be abolished. In every town in the United States, in which there is trade enough to require it, private bankers will spring up, who will receive money on deposit, and pay interest for the use of it: lend money on interest: buy and sell bills of exchange: attend to the collection of debts, and in various ways facilitate business. Operating on sufficient capital, these private bankers will not ruin their customers by violent "contractions." Neither will they incite them to engage in improper enterprises, by sudden and great "expansions."

Our corporate banks do no good to compensate for the evils they occasion, by their continual alterations of the measures of value, by the uncertainty they give to trade, and by the advantages they confer on some men over others. With private banks, and public offices of transfer and deposit, we should have all that is good in the present system without the evil.

CHAPTER XI.

Of Restrictions on Banking Corporations.

The evils which are produced by paper money banking, are so great as to force themselves on the attention of those who are most deeply interested in the continuance of the system. To remedy these evils, they propose various restrictions on banking corporations, or new modes of conducting their business.

A common opinion is, that *if* the banks would not discount accommodation notes, and *if* they would confine themselves to business paper of short dates, their operations would not be injurious to the community.* But a little reflection may convince us, that by discounting business paper, as much bank paper might be set afloat, as by discounting accommodation notes. The same lot of goods might be sold to a dozen persons, and each might give a note, and each of these twelve notes might be discounted at bank.

---

* This opinion was sufficiently refuted by the Bullion Committee, so long ago as 1811; and the correctness of their conclusion is confirmed by those who have had the best opportunities for observing the operations of the Banking System. "I consider the opinion entertained by some," says Sir F. B., "that the bank ought to regulate its issues by the public demand, as dangerous in the extreme; because I know by experience, that the demand for speculation can only be limited by want of means." The general practice in England is to discount only business paper, but this does not prevent the recurrence of evils similar to those we suffer in the United States.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, September 29, 1841. No. 7.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.
BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.
BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

THE BANK REFORMER.

The Bank Reformer, (which we had barely room to allude to in our last,) is published at Petersburg, Virginia, by Edmund Ruffin, Sr., the editor of that valuable periodical, the Farmers' Register. In his agricultural publication, Mr. Ruffin has offered many sound and valuable observations on the subject of banking, and has now issued the first number of a periodical intended to be devoted exclusively to the object of bank reform. We most cordially wish him success; and will transmit to him the names of any persons in Philadelphia, who wish to become subscribers to his new work.

The Bank Reformer is to be issued once a month, for six months, certainly. The price is one dollar for three sets of six numbers each, to be directed to one address. Five dollars will pay for two hundred copies of one or more numbers, to be directed by mail or otherwise to any single address; or for one hundred and fifty copies to be directed separately. One dollar will pay for twenty-five copies, if the publisher is allowed to select the numbers, and direct them to a single address.

The form is octavo, sixteen pages in each number, double column.

A leading object of the editor appears to be to produce a resumption of specie payments by the banks of Virginia. Perhaps it will not be an object easily accomplished. A bank officer here, to whom we applied for information as to when the banks of Philadelphia meant to resume, spoke indefinitely of "some time in the next century!" Perhaps he was jesting.

We extract a part of one of the articles in the first number of the Bank Reformer. The remarks may be applicable to other banks, as well as those of Virginia.

"The banks are *not* getting ready for a return to specie payments, because they expect again to put off the requisition of law for another year; and, according to the rate of their recent progress, they never will be more ready than they were last winter, or the winter before that. The first six months of the present year they have even increased their average paper circulation compared to their specie. And this operation, so treacherous to the object of the law of indulgence, and most unjustifiable in every respect, was so enormous in the Farmers' Bank during the first three months, that its *nett* profits, (which are of course increased in proportion to the excess of paper over specie,) were as high as 10 per cent. per annum. And so lost to all sense of shame were the authorities of that bank, that the official report, furnished to the newspapers, was prefaced with a boast of this great profit, as if it were a notable evidence of their merit."

THE PUBLIC MONEYS.

The National Intelligencer announces the fact that the public moneys at Washington, have, with considerable formalities, been transferred from the Treasury to the Bank of the Metropolis.

Was this procedure *legal?*

The 4th section of the Act of Sept. 2d, 1789, for establishing a Treasury Department, declares that "the Treasurer shall *keep* the money of the United States, and disburse the same."

There is no law whatever to authorise the deposit of any of the public moneys in banks, except the Act of March 3d, 1809. In the second clause of the fourth section of this Act, it is declared, that "the pay-masters of the army, the military agents, the pursers of the navy, [and agents for the purpose of making contracts, or for the purchase of supplies, or for the disbursement in any other manner of moneys for the use of the military establishment, or for the navy of the United States,] shall, whenever practicable, keep the public moneys in their hands in some incorporated bank, to be designated by the President of the United States." This is the only Act that we know of

that sanctions the keeping of public moneys in banks, and this covers only a small part of the amount.

The act for the repeal of the Sub-Treasury Act, if strictly interpreted, *prohibits* the deposit of the public money in banks, except in those cases specially provided for by the act above quoted of 1809. It makes it a criminal offence in any collecting, disbursing, or other officer, *to lend* the public moneys.

To deposit the public moneys in any bank, (unless with a special proviso that the moneys so deposited shall be applied to none but public uses,) is *to lend* the public moneys to the bank. It is done also that the bank may *lend* them again, and perhaps to the very officer who makes the deposit.

We are starting an important question. While "the pet bank system" is odious, and, as we conceive, justly odious, to the great body of both the political parties into which the nation is divided, it is regarded with an eye of favor by a small clique of politicians, and paper money "financiers." This little clique think that by one party standing out for an Independent Treasury system, and the other party for a National Bank, their favorite "pet bank system" must necessarily be restored. It will be so if usage is to have more force than law.

As the laws now stand, the Treasurer should keep the public moneys at Washington, and the collectors, receivers, and postmasters should keep them in other parts of the country. None but the disbursing officers mentioned in the fourth section of the act of 1809, should make deposits in banks.

Three or four years may elapse before Congress may be able to agree on a new fiscal system. Is usage during all this period to prevail over law?

The argument in favor of the pet bank system, drawn from usage, is not one which would be admitted as valid in a court of justice. It is not "usage whereunto the memory of man runneth not to the contrary." His memory must be very short indeed, who cannot recollect that within the present year, the public moneys were otherwise kept.

Perhaps it will be urged that it is more *convenient* to keep the public moneys in banks, than to keep them in the Treasury and in the Custom Houses. But is the law of the land to yield to the convenience of public officers? In the Treasury Department there is, however, every convenience for the safe keeping of the public money; nor did those Treasury officers, on whom the duty devolved of receiving and paying them out, find any great inconvenience therein. In the new Custom House at New York, where the principal part of the revenue is received, there is, also, every convenience for the safe keeping of the public money. So also is there in most of the other Custom Houses, and in the Land offices.

Will it be urged that the public moneys will be safer in the banks, than in the hands of the public officers? Three times, within three years, did the greater part of the banks to the south and west of New York, suspend specie payments. That the banks in the city of New York did not, in October, 1839, follow the lead of the United States Bank, was, as we have every reason to believe, owing entirely to the firmness of Mr. Newbold, the president of the Bank of America. If they had yielded, the suspension would have been universal. And who can tell, now, how long the banks of New England and New York will be able to maintain specie payments? Foreign exchanges are rising, and specie is daily leaving the country. The negotiation of a loan of twelve millions by the Government, has, moreover, a tendency to derange the whole banking movement in the specie paying region. And the bankrupt act, which goes into operation in February next, may have an effect on the banks, which many of the friends of that measure may not have anticipated.

To a system of *individual agency* in keeping the public moneys, there are, we know, strong objections. But the act for establishing a Treasury Department, gives to the Secretary power to prescribe the manner in which the public moneys shall be kept; and he can, by means of Treasury orders, cause a kind of *double lock and key* and *joint responsibility system* to be adopted at all the large Custom Houses, and the most important Land Offices. Under such a system, the public moneys would probably be safer than in the banks, especially since a law of the last session makes it a criminal offence in any public officer to apply them to private purposes.

We write not to cast censure on Mr. Ewing, the late Secretary of the Treasury. He, no doubt, thought he was doing right in removing the public money from the Treasury to the Bank of the Metropolis. But it ought to be generally known that there is no law whatever to warrant the revival of "the pet bank system."

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. III.

Tuesday.—Beset during the whole day by a crowd of vulgar mechanics, to whom, during the late high prices, I had sold, or let on ground rent, some hundreds of lots in the city and the many new and important towns and villages that were then rising up around us on every side. The company of this class of people is always disagreeable, but I had to endure it. On a great number of these lots they have erected substantial buildings, but owing to the pressure of the times, (produced entirely by the doings of the Government,) these buildings rent at very reduced rates, and such of the lots as remain vacant will sell for but a small part of their original cost. Made the best arrangement with these people that I could, both for themselves and for myself. I cannot enter into particulars. It is enough to say that there is a fair prospect of my getting back one-half of my lots with good houses upon them, and the mechanics who built them will be rid of all incumbrances—for property is always an incumbrance to this kind of people. I fear, though, I shall have to sue some of them to get my just dues, and this will be very unpleasant and somewhat expensive.

Was bored for a whole hour by that eccentric old mortal, Judge Johnson of West-Quoddy Head. He maintained that I and Snatchpenny and O'Squeezem, and the other directors of the great bank of Bubble-opolis, are conducting our affairs on false principles. He said that the proper business of a bank is granting facilities to merchants by discounting business paper, and that to this we ought to confine ourselves. He averred that a bank's dealing in cotton was only a kind of wholesale pawnbroking. He said that the bank of West-Quoddy Head, of which he is a director, never discounts any thing but business paper, and has in consequence not made one bad debt in twenty-five years.

I cannot subscribe to such views. Banks, so far as my observation goes, are not established by people who want to lend money, but by people who want to make money. We pay heavy sums to the State for our privileges, either in the shape of a bonus or of an annual tax. And it is strange, indeed, if after this we are not to be allowed to use our privileges for our own exclusive benefit.

Wednesday.—It seems as if my troubles were never to end. To-day I was tormented by groups of old men, and old maids, and old widows, and some young ones among them, to whom I had sold stocks when they were high. Stocks have fallen now, and these foolish people really seem to think I am to blame. I told them that the fall of stocks was altogether owing to the infamous Specie Circular, and the odious Sub-Treasury, and thus satisfied some of them. With the rest I did the best I could—that is, I bought back their stocks at such prices as I was able and willing to give. Some of them said I was rather buying them back at such prices as they, from stress of circumstances, were forced to take. But what is this but the usual course of trade? All questions of price are questions of power—of power on the side of the seller to get as much as he can, and of power on the side of the buyer to give as little as he can.

I was truly grieved at the conduct of many professing Christians, both among the mechanics who visited me yesterday and the motley group that filled my office to-day. Downright infidels—very heathen—could hardly have displayed less resignation under reverses of fortune. There was one old father in particular, a man seventy-five years of age, and a member of the church from his youth, who seemed as if he would go frantic under his losses. He had, by my advice, sold his farm, in a neighboring county, for five thousand dollars, and invested the proceeds in a stock, which was then the best in the market, being fifty per cent. *above* par. Through the vicissitudes of the times, (caused entirely by the abominable proceedings of Government,) it is now fifty per cent. *below* par. The old man said he knew not how, with what was left, he should be able to support himself, his aged and bed-ridden wife, and three small grand-children, who had, within the last six months, lost both father and mother.

Thursday.—Good news at last. The odious Specie Circular is repealed! I know not at which most to rejoice, whether at the Government's being compelled to bow to the banks, or to the power now given to us to raise prices as high as we please. One joy is enough for one day, and the prospect of the rise of prices is quite sufficient of itself to make me forget all my past troubles. Now for the sale of the lots and houses that were transferred to me on Tuesday, and for the stocks I bought on Wednesday. And now I shall be able to do something handsome with my three million acres of Western lands, and my six town plots. I may as well call them *mine*, for I have so arranged matters that Newcraft can never get them from me.

Of all means of advancing the wealth of a country there is none like banking. Agriculture, manufactures, and commerce, are well enough in their place; but they all sink into insignificance when compared with this modern mode of acquiring wealth—or rather of producing, for I will maintain that the two terms are synonymous. By our banking operations, between 1834 and 1836, we gave value to many pieces of property which never had any value before, and which will never have any value again. The pine lands of Maine attest our power, as do also the cabbage gardens in the neighborhood of New York, and the lands ten feet under water in the new State of Arkansas. An able writer estimates all the landed property in the United States as having been worth four thousand millions of dollars in 1834, and six thousand millions in 1836.* By our banking operations we added half as much to the value of real estate in two years, as all the industry of the country had been able to give it in two hundred years. And if the Government had not interfered

* See pages 106 and 149 of "Principles of Political Economy." By H. C. Carey. Philadelphia, 1837.

with its despotic and atrocious experiments, who knows but that we might, in two years more, have made the real estate of the country worth *sixty thousand millions!*

Now this obstacle is happily removed, confidence will be restored, and we shall go on increasing in wealth. Some say this will be only in *appearance*. Let it be so. What is there that is truly real in this world of vanity and show? Every thing depends on our conceptions of things, and if a man can only fix it firmly in his fancy that he is worth six millions of dollars, he may enjoy just as much happiness as if he really possessed this amount of solid wealth. If he had the whole sum in silver dollars he could not eat them or drink them; neither could he eat or drink what they could procure. A man's personal wants are very few, and easily supplied; but most men have cravings to which it is not easy to set limits. And I will affirm that there is no way in which all men's cravings, or even the cravings of any great number, can be satisfied, unless it be by banking, or some similar contrivance. It is, in the nature of things, absolutely impossible that all men, or that any great number of men, should be very rich; but by the rise of prices, produced by plentiful issues of paper money, a great many may be brought to *believe* that they are very rich, and thus enjoy as much satisfaction as if they really abounded in wealth. Happiness resides in the mind. All philosophers agree in this.

Friday.—Great jubilation at a meeting of our friends to-day; but Satan came among us in the guise of a Loco-Foco, and a more appropriate shape he could not have assumed. Loco-Foco said much about the importance of a fixed standard of value—that it would be as absurd to be always changing the size of the bushel, or the length of the yard stick, as to be always changing the value of the dollar, &c. Talked, also, much about justice, and equity, and honesty, and all that sort of thing. The devil can, you know, quote scripture to serve his purpose. Told Loco that all he said was very true in the abstract; but he was a mere *theorist*. I was a *practical* man. Loco asked me if I knew the true meaning of the word "theory." Told Loco that if I did not, my friend Dr. Diddler did. Loco asked what I meant by "a practical man." He had never heard of Adam Smith or J. B. Say's keeping a huckster-shop. Made no reply to Loco, but thought within myself that "a practical man" is one who has failed in business at least twice, and owes at least twice as much as he can ever pay.

Changed the subject by telling Loco that the "Specie Circular" was "a humbug." Loco said modestly that perhaps the paper money system was "a humbug."

Here Dr. Diddler stepped in to my relief, in a manner which entitles him to my eternal gratitude. Without condescending to make a direct reply to Loco-Foco, he began:

"I am a humbug, We are humbugs,
Thou art a humbug, Ye or you are humbugs,
He, she, or it, is a humbug, They are humbugs."

And in this way went through all the tenses, present, imperfect past, perfect past, plusquam-perfect past, future, and paulo-post future, and all the moods, indicative, imperative, subjunctive, and infinitive. It is impossible for me to do justice to Doctor Diddler's performance on this occasion. His gesticulation was admirable, and his enunciation so varied that the conjugation of a verb was as pleasing to me as the best performed music I ever listened to. It even extorted a compliment from Loco-Foco, for he said Doctor Diddler must have been taking lessons from the editors of the Journal of Commerce.

Saturday.—Well, this is most outrageous. The old Specie Circular is repealed; but here comes a new Specie Circular close on its heels. Our tyrannical Government is not content with *redeemable* paper, but will have it actually *redeemed* at stated periods! This is a downright farce.

Redeemable paper, every one knows, is just as good as gold and silver. Having it redeemed is sinking bank notes to a level with the notes of private traders. The very means by which banks make their profits are by issuing a great many notes which, though *always payable*, are *never paid*. However, we have obtained one great and open triumph over our abominable Government, in the repeal of the old Specie Circular; and, as for the new, if we do not make that a dead letter, my name is not Graball. Government is at Washington. The collectors are all along shore; and the receivers all over the prairies. They are not as stupid as the Administration. *They* know where their own true interest lies.

Sunday.—Really, the Church is as much in need of reform as the State. McThwackem is still at the watering place, and his pulpit was supplied by, if possible, a more intolerable proser than we had last Sunday. His text was, "Ye cannot serve God and mammon." He said that to be idolators men need not bow down before images of wood and stone. There were false gods still more to be dreaded—idols of the mind, for whatever a man did in heart regard as his Supreme Good, was, in reality, the god he worshipped. At what shrine the great body of men of the present day paid their devotions, few could be at a loss to discover. At no period in the world's history had we stronger evidence of the truth, that "the love of money is the root of all evil." Hardly more ingenuity had been exerted in inventing machines for the multiplication of products, than in devising ways and means for abstracting wealth from toiling producers and honest proprietors. Operations of this kind on a small scale are, indeed, branded with the name of dishonesty; but when they become extensive they are highly honorable. Not a few seem to be of the opinion of the old Highland chieftain, who thought the only crime consisted in not taking enough. On the same principle that—

"One murder makes a villain; millions, a hero,"

taking one dollar from one man is theft or robbery, taking a great many dollars from a great many men is only speculation.

Such was the substance of this truly vapid discourse.

In the evening went to hear Dr. Diddler, and was comforted and edified as usual.

CONSTITUTIONAL FISCAL AGENCY.

In commenting on the plans proposed by Messrs. Ewing and Clay, we expressed a wish that they and their friends would reconsider the subject, and stated that it would be quite possible to establish a fiscal agency which would be free from Constitutional objections. A plan for such an agency we find actually brought forward in *The Madisonian*, a paper published at Washington, and generally regarded as the organ of the present Administration. The editor says he does not wish to be "understood as endorsing its practicability or its soundness:" by which we are probably to understand that it has not received the sanction of the President and his new Cabinet. Yet, with the objections the President is known to entertain to a *corporation* as a fiscal agency, we know not what other plan he can recommend than one founded on such principles as are set forth in this communication.

That our readers may have an opportunity of judging of it for themselves, we transfer the article to our own columns. It appears to us to be the only kind of fiscal agency that can be established without violating the Constitution, and departing from the true principles of Government.

It will be seen that an issue of notes forms a part of the plan, but as they would be *the representatives of gold and silver actually in deposit*, they would be very different from bank notes which are mere bills of credit.

A Fiscal Agent for the Government, and a Currency Agent for the People.

Let Government establish depositaries for the safe keeping of its moneys, at all the important commercial points throughout the Union. Call these depositaries agencies, offices, banks of deposit, sub-treasuries, or any thing else fancy may suggest. Place each of them under the care of three different individuals, one of whom shall be called receiver, another cashier, and the other teller. The receiver should receive, the cashier should keep, and the teller should pay out all moneys deposited. Let each of these officers be appointed by the President, by and with the advice and consent of the Senate. Give to each of them, when necessary, an assistant, who shall act as first book-keeper in his department, and who shall also receive his appointment from the Executive and Senate. If deemed necessary or wise, after full discussion, let the Constitution or law be so amended as to secure to the President, in relation to *those officers*, the power of temporary suspension, but not of final removal, without the consent of the Senate.

Let the obligations of duty resting upon each and all of them, be of such a character, and so prescribed, as to make them answerable, in some measure, for the misconduct of each, as will compel them to watch, supervise, and check each other, and report delinquencies, when discovered, to head quarters.

Thus far, the interests of the Government alone would be provided for. But the necessities of the people require the agency of *some scheme* which will furnish them with a national currency, or medium of exchange, of *undoubted, substantial, and uniform value.* In order to accomplish so high a benefit for the country, it is proposed that Government should cause to be prepared a *suitable quantity* of certificates of deposit or Treasury notes, in denominations of twenty dollars and upwards, and in convenient forms, and with suitable engravings, for circulation amongst the people. Let these certificates of deposit or Treasury notes, be distributed amongst the different Government depositaries in such proportion as may meet fully the demand for them. Let every citizen throughout the country have the privilege of depositing any amount of specie in these depositaries, and the right accruing thereupon, to demand in exchange for the same, these certificates or notes of Government, payable on demand *at the place of deposit in specie*, and *receivable every where in payment of Government dues and for public lands.* This privilege would place it in the power of every individual to convert his local bank notes, when payable in specie, into the National currency, based, dollar for dollar, on the specie deposited, receivable at all points for public dues, and endorsed by the highest authority and best guaranty known to the People—that of their own Government. The quantity of such national currency which would thus be brought into circulation, would be *precisely commensurate with the demand for it*—no less, and *probably* no more. The regulating power over the State banks exerted through the voluntary action of *the People*, in withdrawing the specie from them, and converting it into the national currency, would prove to be abundantly sufficient: *potent beyond resistance.* The tendency of this process would be to encourage the introduction and retention of the precious metals, and sustain practically the gold and silver standard of value—a line of its duty which the Government seems studiously and purposely to have avoided from 1791 to 1837. A commendation the most conclusive and decisive in favor of such a scheme of furnishing a national currency is, that it totally excludes the use of the public money by public agents or individuals, the discount of promissory notes, or of bills of exchange, or any other act of loaning money, or granting facilities of credit. It would have no stockholders, lenders, debtors, or borrowers. Newspaper editors, politicians, speculators, stock-jobbers, or any other class, could get no accommodations from it. Its issues would be confined to the specie depositor—would be predicated upon and limited by the *specie deposits.* The specie deposits, under the operations of trade and business, would be *fully equal to the just wants of the country* for a currency, especially a *national currency.* When deposited, the specie would be represented in the business of the country by the

very best and most truthful representative that could be devised.

Under such a system, the productive labor of the country would be the money-creating, the money-making power. The money power would be separated from the political power. The money power grows out of *the right, the power to use money;* and the *use of money*, public or private, is totally prohibited and excluded from the operations of the system. The Government would simply become the *keeper* of the treasure of the nation, and in its issue of certificates or notes to individuals would incur no other obligations than such as would be incident to a bank of deposit, or to its character of keeper of such moneys.

This relation to the public would afford the most effective facilities for borrowing money in war and all public emergencies. Proposals from the Government to exchange its stock, bearing a reasonable rate of interest, for its certificates or notes in circulation, would be readily embraced by money-holders. The result would be, the funding of such certificates or notes by the Government, and the immediate possession and use of the specie originally deposited in exchange for them; a greater facility and more prompt mode of realizing cash in any emergency, than could be afforded by any other scheme yet devised.

An *indispensable* feature in the scheme would be the collection of the public dues *exclusively* in specie, and the certificates and notes of Government issued in exchange therefor. Any connection with local banks, or the banking system, is totally excluded from the scheme. No other banking operation would be necessary than the transfer from point to point, for Government purposes, of the certificates or notes of Government received in payment for public dues. Or if Government paper should be more valuable, and individuals should prefer to pay their dues to Government in specie, no transfer of such funds would be necessary, inasmuch as checks drawn by Government upon specie deposits at the commercial points of the country, would generally be more valuable than the specie itself, and consequently readily received in payment of Government debts by Government creditors. In this scheme all constitutional objections are avoided —no *Fiscal Corporation* or *Bank of Discount* is established.

A *Fiscal Agent* for the Government, and a *Currency Agent* for the people is provided, with unlimited capacity to do good, and no power to do harm.

A national currency of the highest possible value and credit, fully commensurate with the resources, the uses and necessities of the whole country, would be the certain and inevitable result of its operations.

The above brief outline of a system of joint fiscal and currency agency is submitted to the consideration of the Administration of John Tyler and *of the people* of the United States, by

A MEMBER OF THE 27TH CONGRESS.

Washington, September, 1841.

THE UNION CANAL.

By the funding of our revolutionary debt, and the subsequent sale of the stock in Europe, a considerable amount of money was brought into the country; but, as we have been told by the old people, it added but little to the solid wealth of the community. The speculators spent it all in riotous living, or employed it in injudicious undertakings.

Among these were three canals; for, finishing one internal improvement before commencing another, was as little in accordance with the wisdom of that day as it is with the wisdom of our own. One of these was to connect the Delaware and Chesapeake. After expending a large amount of money on it, it was abandoned. It was some miles north of the present canal across the peninsula. The second was a canal to connect the Schuylkill with the Delaware. Those who are curious in antiquities, can still discover some marks of the excavations then made in the neighborhood of Fair Mount and Lemon Hill. All the money spent on the *old* Delaware and Chesapeake Canal, and the Delaware and Schuylkill Canal, was a *dead loss.*

The third of the undertakings of that day was a canal to unite the Schuylkill and Susquehanna. This was completed, so far as to admit the passage of boats, some thirty years after it was begun. It is known as the Union Canal. It has been nursed in every possible way by the State, but nursed in vain. After struggling with many difficulties, the Company has made an assignment. Debts, only $1,700,000.

FISCAL AND BAMBOOZLE.

Some good citizens have been sadly puzzled to know the exact meaning of the word *fiscal*, some confounding it with *physical*, and some, it is said, making still stranger mistakes. For their benefit, Mr. Senator Benton has (in opposing Mr. Clay's bill) condescended to do the work of an etymologist and of a lexicographer. We extract his remarks as reported for the Washington papers.

"The Senator from Pennsylvania, (Mr. Buchanan,) is right in characterizing this proposed bank as a Treasury Bank in every way in which you can view it. It is to be built up with Treasury money; all the taxes and duties are to be put there; it is to be the Treasury of the United States, so declared by a clause in the charter; it is to be under the supervision of nine managers —that is to say, lords of the Treasury—and they stationed here where the Government resides; and finally, its name is Treasury. Its name is fiscal; and what is fiscal, but belonging to the Treasury? It is from the latin adjective *fiscalis*, and signifies belonging to the Treasury. Fisc is Treasury, from the Latin noun *fiscus*. The French say *fisque* for Treasury, from the same noun. *Fiscus* and *fiscalis* are from the Greek *phiskos*, and *phaskolos*. The primitive meaning of the Greek is big basket, and belonging to the

big basket, commonly called hamper, or hanaper basket. This is the primitive sense; the figurative or metaphorical sense is Treasury, and belonging to the Treasury; and the reason of this metaphorical sense is this, that ancient governments collected their taxes as the priests did their tithes, and as many landlords now collect their rents, that is to say, in kind. Thus when the wheat, barley, olives, grapes, &c., were ripe, the Government tax-gatherers entered the field with the owner, and gathered the Government share, which was always a large share, and required large baskets to receive it. The farmer had a little basket, and the Government a big basket—a hanaper, or, as our good housewives call it, a hamper—which had hands to it, and required several men to carry it. This big basket received the tax for the Treasury; what was put in it was put in the Treasury; and hence, by an easy metaphor, the Treasury took the name of big basket. Thus we trace the word *fiscal* in this bill, to the latin *fiscus* and *fiscalis*, and that to its Greek root *phiskos* and *phaskolos;* and it all comes to the same thing, that is to say, belonging to the Treasury.

Sir, said Mr. B., this name fiscal ought to be changed; it will bamboozle the people, and lead them off from the true idea of this bank; it will conceal its true character, that of Treasury or Government Bank—the thing so much dreaded and decried in General Jackson's and Mr. Van Buren's time. It is a bamboozling name, and ought to be changed. [Some member near repeated the word bamboozle, doubtingly.] Yes, said Mr. B., it is a good word—an old English word—a powerful word in its place—and appropriately used here. I have used it before in the Senate, and justified it by Johnson, and the best lexicographers, and the finest writers in the English language. You will recollect, Mr. President, (addressing himself to Mr. Southard in the Chair,) that you rather sneered at the word when I first used it here; whereupon I called in the Hercules, Dr. Samuel Johnson, LL. D. and F. R. S., and he quickly settled the matter in my favor. Some of the illustrations of its meaning, which I then read, will not be forgotten on this floor, they suited the times and the subject so well.

Mr. Archer.—What were they? I was not here.

Mr. B.—(To one of the little pages.) Bring me the book—bring me Johnson. (The boy brought it.) Here, said Mr. B., listen. He read:

'To bamboozle, active verb, to deceive; to impose upon, to confound.

'After Nic had bamboozled about the money, John called for counters.'—Arbuthnot.

'All the people upon earth, except these two or three gentlemen, are imposed upon, cheated, bubbled, abused, bamboozled.'—Addison.

Mr. B. said here was good authority for the verb, to bamboozle; there was also good authority for the noun substantive, bamboozler. Listen to Johnson again:

'Bamboozler, a tricking fellow, a cheat.

'There are a set of fellows they call banterers and bamboozlers, that play such tricks.'—Arbuthnot.

This is good authority, said Mr. B., but it is not all. Richardson, more modern than Johnson, and a standard lexicographer, has redeemed and established the word in our language. He says the meaning is to delude, to mislead, to cheat, to deceive, to beguile; and he gives several illustrations, some very suitable to our times. Thus:

'After Nic had bamboozled John awhile about the 18,000 and the 20,000, John called for counters; but what with slight of hand, and taking from his own score and adding to that of John's, Nic brought the balance always on his own side.'—Swift's History of John Bull.

'This whimsical phenomenon,
'Confounding all my pro and con,
'Bamboozles the account again,
'And draws me nolens volens in.'
[King, in Stumbling Block.

'But, says I, sir, I perceive this is to you all bamboozling. Why you look as if you were Don Diego'd to the tune of a thousand pounds.'—Tatler, No. 31."

The Senators, it is said, were greatly amused by the reading of these extracts: and, as the Senators were greatly amused, permission is hereby given to the readers of the Journal of Banking to be amused also.

BANKS OF THE DISTRICT OF COLUMBIA.

A correspondent calls our attention to the fact that the banks in the District of Columbia have been re-chartered, on condition of their resuming specie payments; and requests us to set forth this fact in such a way as to produce a salutary effect on the banks of Pennsylvania, and the neighboring States.

We fear that we cannot make much out of it. Permission is given to the banks of the District of Columbia to trade for a time on the inconvertible paper of the neighboring States, and banks which do this, must, so far as the currency is concerned, be regarded as the mere *agencies* of non-specie paying banks.

THE TRUE PRINCIPLES OF COMMERCIAL BANKING.

We intermit our observations on this subject, in expectation of receiving from a friend some particulars in the history of a bank in one of the eastern States. This bank, as we have understood, was conducted on *commercial* principles for more than twenty years, and during that time made but one bad debt, and that amounting to only fifty dollars. It then changed its mode of business, and began to lend its credit, to speculators in town lots, builders of factories, &c., &c. The consequence was, that in about six months' time, it became seriously embarrassed, and in less than two years was compelled to stop specie payments.

DEBTS OF THE SEVERAL STATES.

THE FOLLOWING TABLE EXHIBITS—

1. The stock debts of the several states up to 1838, as presented in the report of the Comptroller of the state of New York for 1839.
2. The total amount of the stock debt of each and all the states at the close of 1840.
3. The domestic debt of each state, other than the debt created by an issue of stock or bonds.
4. The total amount of the indebtedness of each state, not including the debts occasioned by the deposit of the surplus money of the United States.

STATES.	(1) Amount issued up to 1838.	(2) Actual stock debt at close of 1840.	(3) Other debts.	(4) Total debt at close of 1840.
Maine, - - - - - - -	$554,976	$1,641,027	$37,340	$1,678,367
New Hampshire has no debt, -				
Vermont has no debt, - - -				
Massachusetts, - - - - -	4,290,000	5,149,137	- - - -	5 149,137
Rhode Island has no debt, - -				
Connecticut has no debt, - -				
New York, - - - - - -	10,456,152	20,165,254	- - - -	20,165,254
New Jersey has no stock debt, -			83,283	83,283
Pennsylvania, - - - - -	24,140,003	34,101,014	622,247	34,723,361
Maryland, - - - - -	8,511,980	15,109,026	- - - -	15,109,026
Delaware has no debt, - - -				
Virginia, - - - - - -	4,129,700	6,857,161	- - - -	6,257,161
North Carolina has no debt, - -				
South Carolina, - - - -	5,753,770	3,764,734	- - - -	3,764,734
Georgia, - - - - - - -	- - -	500,000	- - - -	500,000
Alabama, - - - - - -	10,800,000	10,859,556	- - - -	10,859,556
Mississippi, - - - - - -	7,000,000	*12,000,000	400,000	12,400,000
Louisiana, - - - - -	19,735,000	19,735,000	850,000	20,585,000
Tennessee, - - - - - -	789,166	1,789,166	- - - -	1,789,166
Kentucky, - - - - -	3,185,000	4,635,000	30,000	4,605,000
Ohio, - - - - - - - -	6,000,000	14,460,512	348,964	14,869,476
Indiana, - - - - - -	5,438,000	12,841,000	826,433	13,667,433
Illinois, - - - - - - -	5,479,000	12,260,000	1,205,862	13,465,682
Missouri, - - - - - -	2,500,000	2,500,000	429,557	2,929,557
Michigan, - - - - - -	1,800,000	5,611,000	400,000	6,011,000
Arkansas, - - - - - -	3,000,000	†3,660,000	95,362	3,755,362
Florida, - - - - - - -	- - - -	3,900,000	- - - -	3,900,000
District of Columbia, - - -	- - - -	1,000,000	- - - -	1,500,000
	$129,703,747	$93,038,587	$5,328,868	$198,367,455
Debts of the states for the U. S. surplus money deposited with them,			- -	28,101,644
				$226,469,099

DEBTS OF CITIES.—New York, - - - -	$9,663,269	
Boston, - - - - -	1,698,232	
Philadelphia, - - - -	2,495,400	
Baltimore, - - - -	4,680,870	
Albany, - - - - -	695,532	
Troy, - - - - -	361,000	
Cincinnati, - - - -	860,000	
New Orleans,‡ - - -	1,758,180	
Mobile,‡ - - - - -	513,000	
Charleston,‡ - - - -	1,142,358	
Total of City debts, -		23,867,841
Total of State and City debts, - - - - - -		$250,336,940

* Five millions of this sum issued to Union Bank but not negociated.
† Sum issued to bank, of which $981,000 is unsold.
‡ New York Herald.

THE STATE DEBTS.

The disease under which this country is laboring is *debt*—debt in every form—private debt, public debt, bank debt, municipal debt, State debt.

From a small pamphlet published at the office of the New York Evening Post, we transfer to our own columns a table showing the extent in which one class of debts, namely, State debts, have in a short period been augmented, and their aggregate amount at the commencement of the present year. Since that time, the sum has been considerably increased.

The foundation of the British funded debt was laid at the revolution in 1688. It took twenty-six years, (and those mostly years of war,) to raise it to two hundred million dollars. But in Great Britain there was but one Government engaged in the business of borrowing. In the United States we have between twenty and thirty Governments all borrowing to the full extent of their ability.

In Great Britain, too, it should be recollected, that there was at the time above referred to, but one incorporated paper money bank, to help the nation in running into debt. In the United States we have nine hundred such institutions. It is chiefly through their instrumentality that the amount of our public debt has been so rapidly augmented.

Great part of this debt has in fact been created for the establishment of banks. Most of the rest of it we owe to the facility with which bank *promises* to pay on demand, can be exchanged for State promises to pay at some future day.

The process is a very easy one, and for a time it was a very pleasant one, especially to those cantractors who had "good, fat jobs" on the public works. But now the people at large must bear the burden. Taxation must be resorted to, or the credit of the States be dishonored. The rail roads and canals for which most of this debt has been incurred, will not, taking the country throughout, yield revenue enough to keep them in repair, and pay the expenses of superintendence.

CITY DEBTS.

As an appendix to the table of State Debts, we give a statement of the debts of our principal cities, extracted from the pamphlet mentioned above, but corrected in regard to the amount of the debt of the city of Philadelphia. It is set down in the pamphlet as one million dollars. We have ascertained, by inquiry at the City Treasurer's office, that it was, on the first of January last, more than twice that amount.

But the city *proper* of Philadelphia, includes but a small part of that collection of houses known abroad as "Philadelphia." Contiguous to the city proper on the north, are the incorporated districts of the Northern Liberties and Spring Garden, and contiguous to the Northern Liberties, is Kensington. On the south are Southwark and Moyamensing. On the west, separated from the city proper by the river Schuylkill, is the borough of West Philadelphia.

Each of these municipalities has its distinct debt; and the Board of Guardians of the Poor has its distinct debt, as has also, if we mistake not, the Board of Health. The County has, besides, a debt which is far from inconsiderable; and as there are many municipalities in the county, besides those mentioned above, it is rational to presume that they have their debts also. At some moment of leisure, (if we ever have such a moment,) we will endeavor to sum them all up. "The Credit System," to which THE DEBT SYSTEM is a correlative, is much in favor with a part of the population of Philadelphia.

The arguments in favor of running States and Cities into debt, *to a moderate extent*, are sometimes very plausible. But it is so difficult to observe *moderation*, where the ability to borrow is great, that we have sometimes thought that, in so far as regards States and Cities, it would be better if "the credit system" were abolished entirely.

On the amount of private debts that can be incurred there is a limit, because in the case of private debts there will be, sooner or later, a demand for payment of *principal* as well as of interest. On public debt there is no such limit. So long as the interest is punctually paid, there will be no demand for the principal. Hence the ability of States and Cities to run into debt, and hence their liability to abuse the *beautiful* "credit system."

In Great Britain no municipality can run into debt beyond a certain amount, without the sanction of a special act of Parliament. And as the trouble of passing a bill through Parliament is great, and the expense attendant thereon far from inconsiderable, the debts of the British cities are small when compared with those of the American.

GOLD AND SILVER.

Mr. Shields, of Alabama, in a speech in the House of Representatives, at Washington, on the 7th of August last, taking Humboldt and McCulloh for his guide, estimates the "aggregate supply of the precious metals at this time in the world appropriated to the use of man," at upwards of *seven thousand million dollars.*

"The consumption," he remarks, "of the precious metals in the manufacture of plate, jewelry, ornaments, and for all the purposes of luxury and extravagance to which they are devoted, is the result of the vast supply of those metals existing in the world. The quantity estimated to be employed in administering to these vain desires and luxurious propensities of the human heart, in Europe and America, is *one hundred and fifty per cent. greater than the whole amount of currency, including both paper and coin,* used in those two sections of the world. It is plain, then, that a demand for gold and silver for purposes of currency and exchange in the United States, would be supplied to any *possible extent,* with the utmost facility and certainty. The whole amount obtained would finally be withdrawn from these *luxurious uses,* without any effect upon the commerce and trade of the world, and, indeed, with little or no effect upon *them.*

"If the thirty-three millions of coin in the vaults of the banks of this Union on the 1st day of January last were thrown into circulation, and every bank note in the Union burnt up or banished from circulation, it would require but the *one-hundredth part* of the stock of gold and silver now in use in the world to supply the country with an amount of metallic money equal to the whole amount of paper then or now in circulation. To have made such an allegation as this a short time since, would have served but to excite the ridicule and derision of those who thought they were *very wise;* and yet, sir, *it is true* beyond the possibility of doubt or cavil."

Communicated.

CIRCULAR,

Addressed to the readers of the Journal of Banking in particular, and to the American people in general.

Presuming that in the United States there are many thousand voters, who, if they could vote upon the naked question, "shall promises to pay money pass *as* money?" would vote that they should not, the writer of this enters not into any argument on the subject. The men whom he addresses are already convinced. They are certain of two things, viz: that such promises *ought not* to pass as money; and that their votes to that effect, if they do any good, do but little. They are certain of another thing, that monopoly legislation and monopolies, are daily extending amongst a deluded, or an enduring people, their vast, their pernicious influence.

In Philadelphia, about fifty friends have formed an Association, which is continually increasing in members. This Association will oppose the creation of all new monopolies by any and every means in its power to devise or to use. When there is nothing particularly requiring action, its members will debate and lecture upon the popular paper-bank, and indirect tax delusions of the day. They hope to be useful in causing their fellow men to think. The advocates of monopolies will be welcome at meetings; their arguments will be heard and weighed, and wherever truth is, it is believed knowledge will not be far from her.

Fellow citizens of Pennsylvania! of the Union! *Form Associations to oppose monopoly!* Debates, lectures, and correspondence will yet enable a deluded people to shake off the fetters which incorporated privileges, greatly abused, fasten on them.

It requires but few to begin this work in their own State, county, city, town, or village. Reader, *you* can commence it. But one person *commenced* the movement in Philadelphia, and that under every discouragement, and despite the sneers of those who professed to love the principle.

The plan of the Association, in other words the *manner* in which it proposes to effect the triumph of the anti-monopoly principle over the monopoly one, is very easily understood. It is incorporated in the Constitution. A copy of this Constitution and any information wanted by any person or number of persons, in any part of the Union, will be sent to him or them, cheerfully.

Correspondents will please address, (postage paid,) "The Anti-Chartered Monopoly Association, No. 1, Philadelphia."

JAMES M. DAVIS, 449 Market St.,
Corresponding Secretary.

BANK OF THE UNITED STATES.

The affairs of this institution now attract comparatively little attention. Its notes sell at about 33 per cent. discount, in Philadelphia currency; and its stock at about 6 dollars a share.

BANK DEFAULTS.

Mr. Wm. McK. Ball, the cashier of the branch bank of the State of Arkansas, Fayetteville, has returned from Texas. He pronounces the charge that he is a defaulter, a bare-faced falsehood, and declares his intention to ferret out the authors of the slander, and promises that, if successful, they shall be dealt with in proper style, let them be great or small.

The Commissioners say they have found all the books of this bank that were *alledged* to have been stolen. "They are legible with the exception of that which contained the cash transactions of the bank, the exchanges, and other important entries. This book, when found, had all the pages containing entries cut out, and thereby precluded the possibility of an accurate investigation within the limits of service contemplated by our commission. The ledger, when found, was so much mutilated, as to afford no information whatever."

It would be quite possible for one bank officer to commit a default, and then so arrange matters as to cast suspicion on another. The high regard entertained for Mr. Ball in his native State, Delaware, and in West Chester, Pennsylvania, where he completed his professional education, is cer-

tainly a strong presumption in favor of his innocence.

The President of the Carrollton Bank, New Orleans, states that there is no foundation whatever for the report that the Cashier of that institution is a defaulter in the amount of 30,000 dollars.

A young man named Whiting, formerly a clerk in the Gallipolis Bank, has been arrested at Boston, and carried to Ohio, to answer a charge of having carried off a portion of the funds of the bank. He says he is innocent, and perhaps he is so.

We gave in our last a statement that two bank clerks at Columbus, Georgia, had proved defaulters to a large amount, and a counter statement by the cashier that the bank was fully secured.

It now said that one of the clerks, was, after committing the default, made cashier of the Western Bank at Rome, and covered deficits in one bank by transferring to it funds from the other. The Bank of Rome was not strengthened by this operation.

Town, the defaulting teller of the Jacksonville branch of the State Bank at Illinois, escaped from prison on the night of the 13th of September.

BANK FAILURES.

A "shaving institution" known as the Exchange Bank of Indianapolis, Indiana, stopped payment on the 15th of September. The precise amount of its trash in circulation, is not known, but it is believed to be very considerable.

One of the directors of the State Bank of Indiana, once told us that we had not in our "History and Inquiry" revealed all the mysteries of the craft. He then went on to describe a method of making money, by transfers of funds from the State Bank to insurance companies, and other institutions, which latter lent the money at usurious rates of interest. The failure of the Exchange Bank at Indianapolis, will afford the good people of Indiana a fair opportunity of tracing out the connection between the State Bank, or some of its officers, and the "shaving institutions" in which their State abounds.

Through the failure of the German Bank, Wooster, Ohio, (of which mention was made in our last,) many a farmer has been deprived of the product of great part of the last year's labor, and many a laborer of the funds necessary for the support of his family.

The West Union Bank, it is said, will soon explode; and fears are entertained of the failure of other banks in Ohio.

THE FOREIGN NEWS.

At the date of the last advices, the distress in the manufacturing districts was very great. One English newspaper openly recommends a war with the United States, as the only means of giving employment to the people!

At Liverpool and Manchester, several extensive failures have occurred. The chief is that of Molyneaux, Weatherby & Co., whose liabilities are said to amount to two million dollars. The principal man in this firm is said to have entered into the business about six years ago, with a princely fortune. Another house that has failed, is that of J. Maury & Son: liabilities about three hundred thousand dollars. Altogether, within a period of a week or two, seven or eight houses have gone down in Liverpool and Manchester. Their debts amount, in the aggregate, to about four million dollars.

The cause of most of these failures, is to be found in *our* false money and factitious credit system. Our suspended banks have been granting great facilities to certain speculators in cotton, and thus laid the foundation of a train of operations which has been sustained by a system of drawing and redrawing on New Orleans, New York, and Liverpool. This system is now yielding to the laws of nature and the laws of trade, and the losses by failures of cotton dealers, in Liverpool, New York, Savannah, and New Orleans, within a few months past, are said to amount to nearly eight million dollars.

On the 4th of September some uncertainty still attended the wheat harvest. The duty on foreign wheat was then 6s. 8d. a quarter, with a strong probability that it would in the following week be reduced to 2s. 8d. Then it was expected that the stock in bond, amounting to about one million of quarters, would be thrown on the home market.

ACKNOWLEDGEMENTS.

We are indebted to the Hon. Mr. Walker, of the Senate, and the Hon. Messrs. J. W. Jones and B. G. Shields, of the House, for public documents and other papers.

To gentlemen in Alexandria and Munroe, Louisiana; Church Hill, Alabama; Jackson and Natchez, Mississippi; Sparta, Georgia; Petersburg, Virginia; and other places, we are indebted for additions to our lists of subscribers.

From the number of places from which we have acknowledged the receipt of lists of subscribers, some of our friends have supposed that this Journal has already ample support. This is not the case. Our circulation is very diffusive, but not great. It is great enough, however, to show that if those friendly to the public objects we have in view, will make a little exertion in those places in which we have as yet no subscribers, sufficient support for it may be obtained. Under any event, however, the Journal will be published for one year. We made arrangements to secure this object, before issuing the first number.

To the members of Congress we are under great obligations, as it is through their agency, either directly or indirectly, that we have obtained the greater part of our subscribers. We must solicit a continuance of their kind offices—especially since it was chiefly through their suggestions that we were led to engage in the undertaking.

To Postmasters in various parts of the country, we are also under obligations, as well as to many private citizens.

Having stereotyped such numbers as have yet been issued, we can complete the files of any number of new subscribers.

PRICES OF BANK NOTES AND SPECIE.

Saturday, September 25th, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	¼ *a* ⅜ dis.	— *a* 2¼ pr.
New Hampshire	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Vermont	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Massachusetts	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Rhode Island	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 2¼ pr.
New York City	Standard.	2¼ *a* — pr.
New York State	⅜ & ½ *a*—dis.	2¼ *a* — pr.
East Jersey	½ *a* — dis.	— *a* 2¼ pr.
West Jersey	3 *a* — dis.	Par *a* 1 dis.
Philadelphia	3 *a* — dis.	Standard.
Pennsylvania, East	3 & 5 *a*—dis.	Par *a* ¾ dis.
" West	3 & 5 *a*—dis.	Par.
Delaware	3 *a* — dis.	Par.
Baltimore	2½ *a* — dis.	½ pr. *a* par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	3¾ *a* — dis.	1¼ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	4 *a* — dis.	2 dis.
South Carolina	2 & 3½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	2 *a* 40 dis.
Alabama	10 *a* — dis.	7 *a* — dis.
Louisiana	5 *a* 6 dis.	—— 3 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	8 *a* — dis.
Kentucky	9 *a* — dis.	7 dis.
Missouri		7 dis.
Illinois	10½ *a* — dis.	8 dis.
Indiana	9½ *a* — dis.	8 dis.
Ohio	9½ *a* — dis.	4 *a* 7 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	2½ *a* 2¾ pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.30 *a* 16.50	16.30 *a* 16.40
Patriot Doubloons	15.80 *a* 15.90	15.90 *a* 16.00
Spanish Dollars	5 *a* 6 pr.	4 *a* — pr.
Mexican Dollars	1½ *a* 1¾ pr.	3 *a* — pr.
Five Franc Pieces	94¾ *a* 95 cents	95 *a* 96
Half Dollars	½ *a* ¾ pr.	2¼ *a* — pr.
BILLS OF EXCHANGE ON		
London	9¼ *a* 9¾ pr.	12 *a* 12¼ pr.
France	5.18¾ *a* 5.17½	5.05¼ *a* —
Holland	40¼ *a* 40½	— *a* 41¼
Hamburg	— *a* 36½	37½ *a* 37¾
Bremen	— *a* 79	80 *a* 81¼
Boston	⅛ *a* ¼ dis.	2⅜ *a* 2½ pr.
New York		2¼ *a* 2⅝ pr.
Philadelphia	2½ *a* 2¾ dis.	
Baltimore	1¾ *a* 1⅞ dis.	⅛ *a* ⅜ pr.
Richmond	3½ *a* 3¾ dis.	1 *a* 1¼ dis.
North Carolina	3¾ *a* 4 dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 1 pr.
Savannah	3 *a* 3¼ dis.	1 *a* 1¼ dis.
Augusta	— *a* 4 dis.	
Columbus	14 *a* 14½ dis.	
Macon	15 *a* 16 dis.	
Mobile	8¼ *a* 8½ dis.	6¼ *a* 6½ dis.
New Orleans	3¾ *a* 4 dis.	1½ *a* 1¾ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	10 *a* 11 dis.	8½ *a* — dis.
St. Louis	8½ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	5 *a* 6 dis.
Cincinnati	8 *a* 8½ dis.	— *a* 6 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	7½ *a* 11½	11 *a* 13
Mobile	7¼ *a* 11½	10 *a* 13½
Upland	7 *a* 10¼	10 *a* 12
Flour, Western Canal, per bbl.	6.43¾ *a* 6.50	
Philadelphia	—— *a* ——	6.25 *a* 6.50
Rye Flour	3.62½ *a* ——	—— *a* 3.62½
Indian Meal	3.50 *a* 3.62½	—— *a* 3.25
Grain—Wheat, per bush	1.40 *a* 1.50	1.33 *a* 1.37
Rye	75½ *a* 76	62 *a* 69
Corn	74 *a* 76	66 *a* 71
Oats	— *a* 49	45 *a* 45½
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 33	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4⅝ *a* 4½	4½ *a* 4¾
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 10	4 *a* 10
Wool, American, Merino, per lb.	42 *a* 45	38 *a* 40
Common	25 *a* 30	25 *a* 30
Whiskey, Rye, per gal	22½ *a* 23	23 *a* 24½
Provisions, Mess Beef, per bbl.	9.00 *a* 9.50	10.00 *a* ——
Mess Pork, per bbl.	10.00 *a* 11.00	10.00 *a* 10.25
Hams, per lb.	5 *a* 8	6 *a* 10
Lard, per lb.	7 *a* 8½	6½ *a* 8¼
Cheese, per lb.	6 *a* 7	7½ *a* 8
Rice, per lb.	3¾ *a* 3⅞	3½ *a* 4¼

NEW COUNTERFEITS.

We are indebted to Mr. Van Court for the following list.

West Branch Bank, Williamsport, Pa.—10s, letter D, dated August 1, 1838, and probably others of different dates. After the W in the word Williamsport, the letter intended for an I is more like a figure 1; and the face of the female on the left hand is rather faintly marked. Pay J. Kellum, or bearer; T. Coryell, Cashier; J. H. Cowden, President. Very well done.

Commercial Bank, Buffalo, N. Y.—2s, letter A, dated May 1, 1841; J. T. Hatch, President; J. Stringham, Cashier. General appearance bad, engraving coarse, and impression faint. 2s, altered from the Commercial Bank of Poultney (a fraud). Detected by observing that the genuine bills of this bank have the names of Rawdon, Wright & Hatch, as engravers, which are not on the altered notes. There are probably 1s, 3s and 5s of the same character in circulation. 5s, letter D, altered from Commercial Bank, Millington, Md. The word Buffalo rather dim. Detected by holding up to light.

Merchants' Bank, New Bedford, Mass.—5s, letter C, pay to S. Brown, dated August 4, 1840; E. Smith, Cashier; John Ridner, President. Vignette, a large ship in full sail, with another crossing her bows. 10s, pay A. Wood, dated January 4, 1840; J. B. Ogden, Cashier; J. A. Parker, President. Vignette, a ship under sail, (which is larger than in the genuine,) and a brig crossing her wake. The vignette between the president and cashier's name is a brig, but the engraving in the counterfeit is so faint as to be scarcely perceptible.

Bank of Kentucky.—100s, post note, letter A, dated Bowling Green, January 1, 1840; G. C. Gwathmey, Cashier; V. M'Knight, President. Signatures and filling up engraved. Payable to order of A. Akrir, and by him endorsed in a stiff cramped hand.

Commercial Bank, New Orleans.—10s, altered from Commercial Bank, Enterprize, Miss., a fraudulent concern. Badly executed; signed George O. Hall, Cashier; W. G. Hews, President.

Dry Dock Bank, N. Y.—1s, Robt. White, Cashier; E. Weeks, President. Plate genuine, but signatures false.

Bank of Illinois, Shawneetown, Ill.—10s, letter C. payable to N. C. Hale, October 4, 1837; John Siddal, Cashier; Jno. Marshall, President. Rawdon, Clark & Co., Albany, engravers. Miserably done.

Miners' Bank, Pottsville, Pa.—5s, altered from Hazleton Coal Company; signed R. Miner, Treasurer; Samuel Moore, President.

City Bank, Boston, Mass.—10s, altered from Roxbury (broken) Bank. Signed John Phillips, Cashier; A. Quimby, President.

Suffolk Bank, Boston, Mass.—5s, signed M. L. Parker, Cashier; Henry B. Stone, President. The engraving is coarse, but the filling up and signatures are well done.

BANK NOTES.

The notes of the Bank of Metropolis, or "Pet Bank," at Washington, are quoted at 2 per cent. discount in the New York Price Current; while those of the other banks in the District of Columbia are at 5 per cent discount.

The small notes of the Banks of New Jersey and Delaware, which were for a long time at par in the Philadelphia market, are now quoted at one per cent. discount.

The Treasurer of the State of Ohio has given notice that the notes of the following banks are not received at his office, viz.: Bank of West Union, new Bank of Circleville, Bank of Cincinnati, Farmers' Bank of Canton, Bank of Steubenville, German Bank of Wooster, Miami Exporting Company, Lebanon Miami Banking Company, and the Banks of Illinois.

THE STATE OF TRADE.

Flour has fallen in price, notwithstanding the reports from various parts of the country are, that the wheat harvest is not as abundant as it was expected to be.

Cotton is depressed; but the holders of that article in New-York are said to be firm.

The amount of bonds taken for duties at the New-York Custom House, from the commencement of the present year up to the present time, appears to be upwards of $6,500,000. In the whole of the last year, the amount was only $4,500,000.

RATES OF EXCHANGE.

At New-York, the rate of foreign exchange has risen. Considerable sales of bills have been effected; but as confidence has been shaken by the recent failures, specie is leaving the country in large amounts. The New-York American states, that in the first two weeks of the month of September, the exports from that city were $718,443, of which $247,734 went to Havre, and $456,704 to London. The Havre packet which sailed on the 14th of September, carried out $250,000 in specie. The total in the week ending September 25th, exceeded one million.

We continue on the next page the remarks "On Restrictions on Banking Corporations," begun in our last number.

The limit on bank issues would be the same as at present—that is, the demand for specie for foreign trade. The anxiety of the banks to extend their issues would be in no way diminished. The inducement then would be to buy and sell goods that notes might be discounted at bank. Now, it is to have notes discounted at bank, that goods may be bought and sold. The spirit of speculation being excited by any cause, notes would flow in for discount, and the banks would, as at present, discount as many as they might deem prudent.

The severest legislative enactments could not confine the banks to discounting business paper of short dates, if this paper did not afford full employment to all their "capital" and all their "credit." They would soon find sufficient reasons for "renewing" the business notes of some of their customers, and those notes, thus renewed, would become accommodation notes.

Except in the cases of applications from directors, and their favorites, the banks now prefer business notes, because these place their issues more immediately under their control. More than a certain amount they cannot lend on accommodation paper, for they must keep so much capital under command as is necessary to support their credit. Their deposits would otherwise be withdrawn, and the circulation of their notes would cease. It does not appear that these accommodation notes have any specially mischievous effect on prices. They are permanent in amount, or nearly so. The fluctuation of prices appears to be occasioned by that part of bank "capital" and of bank "credit" which is always varying in amount.

Limiting the amount of issues to double the amount of capital, and the amount of loans to thrice the amount of capital, is a favorite provision with legislators. But Mr. Gallatin says, "amongst more than three hundred banks, either now existing, or which have failed, and of which we have returns, we have not found a single one, the loans of which amounted, so long as specie payments were in force, to three times, or the issues to twice, the amount of capital. It is clear, that provisions applicable to such improbable contingencies, are purely nominal."

Compelling the banks to give an annual statement of their affairs, is also a favorite measure. But it is not easy to compel them to give a *faithful* statement. The accounts of the banks that break look nearly as well on paper as the accounts of the banks that continue payments. They who are acquainted with the secrets of bank management, say little reliance is to be placed on these accounts.

Preventing the banks from issuing notes of a less denomination than five dollars is a measure which is effective so far as it goes. But it still leaves the banks the power to substitute paper for specie, and to carry on credit dealings to an extent which is very pernicious. In England, where the issue of notes of a less denomination than one pound sterling, or about four dollars and eighty cents, has for many years been prohibited, the contractions and expansions of the bank have done so much evil, that it has been found necessary to prohibit the emission of any notes of a less denomination than five pounds sterling, or about twenty-four dollars federal currency. The Bank of France issues no notes of a less denomination than five hundred francs, equal to about ninety-four dollars of our money, yet the Bank of France is at times forced to make such sudden and great curtailments, as inflict much evil on many of those who are within the sphere of its influence. The manufacturers in Alsace had doleful experience of this power of the Bank of France, in 1825. The merchants of Paris, and throughout the kingdom, felt it in 1819. In 1822, also, the contractions which the Bank of France found it necessary to make, produced much commercial embarrassment in many parts of that country.

In the charter of the Bank of France, there is a provision that all profits above six per cent. shall be converted into a reserved stock, on which reserved stock the bank may make dividends not exceeding five per cent. Such a provision in our American bank charters, would remove many inducements to overbanking, and would make speculations in their stock less frequent.

In proportion as the personal responsibility of those concerned in banking is increased, and in proportion as the denomination of the notes they are permitted to issue is raised in amount, the system becomes less pernicious. But no legislative enactments can afford an adequate remedy for the evils which flow from incorporated paper money banks. The system is, to use the language of the lawyers, *malum per se*—or a thing which is evil in its nature. The very principle of its foundation is wrong. No advantages should, in a republican government, be granted to some men over others. To impart to corporations a moral sense of right and wrong, is impossible. They may be made

nominally responsible, but to impose on them an *effective* responsibility is impracticable. To a certain extent they obey the laws, and respect public opinion, but it is only so far as, and so long as, is necessary for making their business profitable. The interest account of the banks is, in point of fact, the only effective check we have on the abuse of those powers which our legislative bodies have conferred on them by charter.

Such privileges as the banks possess, ought neither to be sold nor to be given away, by a republican legislature, to any men or any body of men. A control of the whole of the cash and the credit of the community, is a power as despotic in its nature as any possessed by the nobility of Germany.

The regulation of the currency is one of the most important prerogatives of sovereignty. This prerogative is now, in point of fact, surrendered to the banks. They drive away what may be called the *natural* money of the country, and substitute for it something which differs from this natural money in both the *nature* of its value, and the *causes* of its value. A quantity of this money may be put afloat, but whatever may be the discretion of directors of banks, and whatever may be the legal restrictions on corporations, it must fluctuate in quantity, and be affected in value, by all the causes, natural and political, by which credit is affected. It is flexible, vacillating, agitated by every wind that blows. If any man can invent a method by which the hardness and other properties of platina can be imparted to lead, that man may hope to discover the means by which bank credit may be made as stable as gold and silver medium.

To prove that the task is hopeless, we shall give an analysis of the standard and measures of value introduced by banking.

CHAPTER XII.

Of the Essential Qualities of Bank Notes.

Bank notes are regarded by some as "representatives of specie." But for every silver dollar they have in their vaults, some of the banks have two paper dollars in circulation, some three, some five, some eight, and some thirteen. Bank notes cannot represent that which the banks have not, and which is not in the country. If bank notes can, in any sense, be considered representatives of specie, the paper dollar of the same bank sometimes represents fifty cents, and sometimes forty cents: and the paper dollars of different banks represent at the same time, thirty-three and a third cents, twelve and a half cents, ten cents, and seven cents of the silver dollar. Yet they are all current, and all have the same effective power as silver in exchanges.

Various other erroneous opinions are entertained of the nature of bank notes, the consideration of which would be tedious. Examining them one by one, would be merely showing what bank notes *are not*. Instead of doing this, it will, it is presumed, be sufficient to show what bank notes really *are*.

Bank notes are *simple evidences of debts* due by the banks. This is their true character.

As mere *evidences* of debt, they differ not from the promissory notes of merchants. They are also, in common with bills of exchange and business notes, a commercial medium; but in some respects, there is an essential difference between bank notes and the notes of merchants.*

On *their* promissory notes, the merchants *pay* interest. On the promissory notes of the banks, the banks *receive* interest.

The promises to pay of the merchants are fulfilled when the notes arrive at maturity. Bank notes are never paid.†

Payment of them in the aggregate is never demanded, because what could be got in payment, would, for most purposes of domestic trade, serve no better purpose than bank notes themselves.

Bank notes are thus a kind of *paper money*. In the countries where they are used, bills of exchange, the promissory notes of merchants, and balances of running accounts, are paid in bank notes, as they are paid in other countries with metallic money.

* A bill of exchange drawn by an individual or individuals who do not issue notes having the character of currency, appears to us to be clearly distinguished from a Bank note, though it is a substitute, and lessens the amount of currency which would otherwise be required. A payment made in Bank notes is a discharge of the debt, the creditor having no further recourse against the person from whom he has received it, unless the bank had previously failed. The bill of exchange does not discharge the debt, the person who receives it having recourse against the drawer and every preceding endorser, in case the drawer should fail or refuse to pay. But the essential distinction is, that bills of exchange are only promises to pay in currency: and that the failure of the drawers, drawees, and endorsers, does not in the smallest degree affect the value of the currency itself, or impair that permanent standard of value by which the performance of all contracts is regulated.—*Gallatin.*

† The essential difference between banking and other commercial business is, that merchants rely for the fulfilment of their engagements on their resources, and not on the forbearance of their creditors, whilst the banks always rely, not only on their resources, but also on the probability that their creditors will not require payment of their demands.—*Gallatin.*

Sales for prompt payment in bank notes regulate sales for deferred payment in bank notes, as, in solid money countries, cash transactions regulate credit transactions.

Like real money, bank notes are instruments of valuation. The quantities they express are the exponents of the effective power in exchanges of land, labor, and commodities.

An increase or decrease of bank notes in the United States, has the same effect on prices, that an increase of solid money has on prices in Spain or Switzerland.

Increase the amount of bank notes, and, *other things being the same*, prices will rise.

Diminish the amount of bank notes, and, *other things being the same*, prices will fall.

In our second chapter, the several qualities of gold and silver were enumerated, *all* which qualities an article must possess in the *same* degree, to serve as well as the precious metals the purposes of money. In proportion as the qualities of articles recede from those of gold and silver, they are unfitted for these uses. By a comparison of the different qualities of bank notes and coin, the reader may acquire a clear conception of the difference between *real* and *fictitious* money.

In susceptibility of receiving an impression, and in comprising a great value (i. e. market value) in a small space, bank notes agree with coin. But in every thing else they disagree. Of utility in the arts, the very attribute that gives gold and silver their value in commerce, bank notes are utterly destitute. They are also destitute of the important qualities of unchangeableness of value, and of uniformity of value.

We, however, because we have never changed our *money of account*, fancy that we have never changed our standard of value. We call a bank dollar by the *same name* as a silver dollar, and then fancy there is no essential difference between them.

In our mensuration of other things which admit of increase or decrease by homogeneous degrees, we use instruments possessing the same physical properties as the thing to be measured. The judgment the mind forms of weight or length, is regulated by a *material* standard. The judgment the mind forms of value, is regulated by an *ideal* standard; for bank credit is something altogether intangible.

In solid money countries, in all sales of goods for cash, the products of labor are exchanged for the products of labor. The product of the miner's labor is made the instrument for circulating the products of the farmer's and of the manufacturer's labor. The transactions are removed but one step from simple barter, and do not differ from it in its essential principle. The exchanges on both sides are of articles possessing *inherent* value—articles in the production of which *labor* has been bestowed, and articles which possess the physical qualities which adapt them to the satisfaction of human wants and desires. But *we* receive commodities from one another, and give in return some uncertain representatives of credit, and fancy that trade is conducted with us on the same principles as it is in those countries where paper money is unknown. *We* pass from hand to hand certain promises to pay, and call that making payment.

The relations in the supply and demand of the precious metals are so slow in changing, that hardly any perceptible variation in the value of silver has, according to some able authors, taken place in the last two centuries. But the supply of bank notes may vary several per cent. in different periods of the same year, and twenty or thirty per cent. in three or four years. Thence come great rises and falls of price; but we have only an imperfect apprehension of the cause, for our intangible standard of value never changes its name, how great soever may be the extent in which it is contracted or expanded.

It is folly to say that the *money* of the country is not *paper money*. In Virginia, Pennsylvania, and Maryland, payments of a less amount than five dollars are made in real money: but in the other States, dollar notes circulate, so that payments in specie are made for only fractional parts of the dollar. In North Carolina, South Carolina, and some other parts of the Union, notes for twenty-five cents, twelve and a half cents, and even six and a quarter cents, are current. There even small silver change is a rarity.*

Of large payments, nine hundred and ninety-nine in a thousand are made with

* It is observed by Mr. White, Cashier of the United States Branch Bank at Baltimore, in a letter to the Secretary of the Treasury, under date of Feb. 30th, 1830: "Congress fixed the relative value of gold at fifteen for one of silver; and under the natural presumption that gold and silver coin would compose a portion of the general circulating medium, it has also been enacted, that a tender of either of those metals should be the only legal mode of discharging obligations. *In practice, however, and in fact, our currency consists altogether of paper.* In this State, (Maryland,) and in Pennsylvania, Virginia, and perhaps some others, the fractional parts of a dollar circulate in sufficient quantity to purchase with coin, marketing or other low-priced necessaries; but in the Carolinas, Georgia, and all that great district eastward of Pennsylvania, composing the States most distinguished for commerce and manufactures, and for wealth, there is no transfer of the value of the established unit that is not effected by paper. This bank paper is sustained by public confidence on a specie basis, *considered* sufficient to liquidate balances accruing among the several States, and to supply the demands for foreign commerce."

paper. Of small payments, ninety-nine in a hundred. The currency of the country is, we repeat it, essentially a paper currency. The sprinkling of silver has only the effect of keeping up the reputation of the paper. This paper varies in amount, from day to day, from month to month, and from year to year. Every thing that affects the spirit of enterprise, affects commercial credit, and through that, bank credit.

The importance of adjusting measures of value with the greatest exactness, is enforced by all who have written on the subject. An order has recently been issued to recoin the whole of the silver money of France, amounting to not less than eighty millions of dollars, on account of its having been discovered that the mode of assay by cupellation, indicates but one thousand grains of pure silver in a mass containing one thousand and four grains. The difference between the legal and the practical standard, is less than a half of one per cent.; yet this difference has been deemed important enough to make necessary a recoinage of the whole of the silver money of the country. Our own statesmen bear a silent testimony to the truth of this doctrine, by their attempts to determine the ratio of gold and silver, carrying out their calculations in some tables to the five hundreth thousandth part of a grain.

Such is the care that governments (our own among others) take in fixing metallic standards and measures of value. If by any accident a dollar coined at our mint should contain but three hundred and sixty-nine grains of pure silver instead of three hundred and seventy-one and a quarter, it would not be put in circulation. The nicest chemical and mechanical operations are resorted to, that the different pieces may have an exact uniformity. But having done this, our next care is to drive metallic measures of value from the country, and substitute those of the most uncertain nature possible.

CHAPTER XIII.

Of the "Convertibility" of Bank Medium.

Many who are inimical to paper money in every other form, are friendly to the use of bank paper, because it is, they say, equal to specie, inasmuch as specie can be obtained for it at the will of the holder.

But what does this "convertibility," as it is called, amount to? Though we have between three and four hundred banks, we have not yet one at every man's door; and if we had, every man would, in the course of business, be compelled to receive the paper of distant banks. A man may prefer silver, and yet not choose to walk even half a mile, to have his note changed.

Those whose money dealings are most extensive, like not to offend the banks by too frequent calls on them for specie. It might lead to a curtailment of their accommodation. They have as deep an interest as the stockholders and the directors in keeping the notes in circulation.*

In addition to this it must be remembered, that bank paper is "convertible" into only one of those species which should, according to law and constitution, be the money of the United States. An incorrect valuation of gold at the Mint,† and paper money together, have driven this precious metal from the country. Bank paper is "convertible" into silver only, which is inconvenient for large payments, and for transportation to distant places in large amounts.

From this combination of causes, not more than one-twentieth of the paper is actually "convertible" at any one time, and herein consists the safety of the banks. An attempt to convert but one-half of the bank medium into specie, would, though several months were allowed for the operation, break all the banks in the country.

Now, can such a "convertibility" make bank notes "equal" to specie? We mean equal to specie as money, in its *three* functions of a circulating medium, and of a standard and measure of value. We know the two articles are equal in the market, but the question is, if they ought to be so.

"Convertibility," so far from being an assurance of the soundness of bank notes *as money*, is not even an assurance, for three days together, of their soundness as bills of credit. This is verified in the case of banks whose paper is in one week at par, and in the next at a discount of fifty per cent.

When the contingencies on which convertibility depend, are taken into consideration, the risk appears so great as of itself to outweigh all the arguments usually adduced in favor of bank medium.

* In a debate in Parliament in July, 1828, Lord King said, that "as for payment in gold, he knew there was an *esprit de corps* among the bankers, and people who wished to get accommodations from them would find it no easy thing to obtain gold. The banker would inquire if the individual was in the habit of asking for gold, and if so, accommodations would be withheld. Paying in gold was not, therefore, that check to over-issues which some people imagine."

† Since the first edition of this work was published, an act has been passed to raise the Mint valuation of gold.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, October 13, 1841. No. 8.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.
BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.
BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

TO POSTMASTERS.

GENTLEMEN,—

The Journal of Banking, which has now reached its eighth number, has subscribers at a considerable number of Post Offices, but at a far less number, it is believed, than it would have, if its character was generally known.

Its object is, to exhibit banking *as it is*, and banking *as it ought to be*, in such a light as to be intelligible to every capacity. Of the plan, the present number may serve as a specimen, though the real value of the work is to be judged of not by any one, or two, or three numbers, taken separately, but by many taken collectively.

To some persons, it would, perhaps, be more acceptable if general politics were embraced in its plan. But credit, currency and banking, are topics which ought to be considered independently from all others, except such as are inseparately connected with them. As great variety is given to this Journal, as is compatible with its main object.

The subject is one of great importance. The currency is to a community, what the life blood is to a man. For weal or for woe, every individual is affected by our present system of corporate banking and factitious credit. For years to come, it will be the basis of most political controversies, and of the greater part of legislative action.

Of how great importance is it, then, that it should, as far as is practicable, be *thoroughly* understood by every individual in the community?

We are addressing some, perhaps many, who do not accord with us in our judgment of our present system of banking. But even to those, the *facts* the Journal contains must be of great importance, and liberal minded men always like to have the means of forming a correct judgment of the views of their opponents.

To many, this Journal must be a very offensive publication; for nothing is so offensive to men as truths which run counter to their interests or their prejudices: but to some, in every neighborhood, we believe it would be very acceptable. To aid us in finding them out, we send copies of this number of the Journal to a select number of Postmasters, hoping that such of them as may not be friendly to the plan, will hand them over to some persons who are.

The work is very cheap, considering the style in which it is got up, and the amount of intellectual labor bestowed on its columns. The deduction to those who order five or ten copies, (as set forth in the programme at the head of this page,) is intended to encourage the formation of "clubs," and to facilitate remittances, and also to afford, to such as may be disposed to avail themselves of it, an opportunity of compensating themselves for their trouble in collecting subscribers.

As in some places some may be ready at once to subscribe, and others may want a little time to think about it, to accommodate both parties, as far as we can, we will make the following arrangement. To any person who will send us three dollars, we will send two copies of the Journal, and if he, at any subsequent time, sends us two additional dollars, we will send him two additional copies. So, if any person sends us five dollars, we will send him four copies of the Journal, and six additional copies on his sending us five dollars more. We direct each of the five or ten copies thus ordered to different persons, or to different post offices when requested.

As we have *stereotyped* all the numbers of the Journal of Banking that have yet been issued, we can, without delay, complete the files of any number of new subscribers.

OBJECT OF THIS JOURNAL.

As this number may fall into the hands of many persons who may not have seen any of our previous publications, it may be proper, to prevent mistakes, to state our views and objects as explicitly as can be done in a few words.

We look upon our present banking system as resting on principles which are *fundamentally erroneous*.

Banks and bankers of *some* kind, there must be, we know, in every commercial country. But

we see no reason why banks should be incorporated institutions, and why privileges should be conferred on bankers, which are denied to butchers and bakers.

We do not contend for an *exclusive metallic medium:* but we believe that THE MONEY of the country should be *exclusively metallic.* To this metallic money we would add bills of exchange, and such other devices as merchants might choose to adopt for economising the use of specie. To bank notes of such denominations as would make them *representatives of bona fide bills of exchange,* we would not particularly object.

The banking system has for many years been our especial study. We regard it as the *chief* cause of our social evils. We look upon it, as at present constituted and at present conducted, as an instrument of evil so very powerful in itself, that, if every thing else in the country were right, it would soon put every thing wrong. We cannot in a few words give the reasons of this belief. They embrace a multitude of facts and arguments which will be set forth in this Journal.

But we favor no rash measures for getting rid of the system. Such measures would do even more evil than the system itself produces. Nothing can be fairer than to allow men who have contracted debts in bank currency, an opportunity of paying such debts in currency of the same value: and it would gratify us highly, if every man who has honestly paid money for bank stock, could get every dollar back and invest it in some other way. There is no inconsistency in abhorring the present banking system, and in wishing well to the stockholders.

Yet we do not think that a due regard to existing interests should cause the people to be timid or indecisive in measures of reform. The longer the necessary measures of reform are deferred, the greater will the evil become, and in a vain effort to secure "the existing interests" of a small part of the community, the permanent interests of the whole may be sacrificed. If the necessary measures for bank reform had been taken ten years ago, the stockholders in the United States Bank, and many other banks, would not now have occasion to lament the loss of the whole of their property.

This declaration of our views, and an inspection of the articles in the present number, will, it is hoped, suffice to show the character and object of the Journal of Banking.

PAPER MONEY OF ASIA.

The history of the paper money of China, which is given in our present number, is both curious and interesting. Mr. Klaproth's statements are abundantly confirmed by Du Halde in his History of China, by Remusat in his "Nouveaux Melanges Asiatiques," and by other authors.

Klaproth does not, in his account, mention that from China the use of paper as money spread into India. This we supply from another source. Mahomet Togluk, of Delhi, who resigned A. D., 1325, "unfortunately for his people, adopted his ideas upon currency from a Chinese custom of using paper on the Emperor's credit, with the royal seal appended, in lieu of ready money."

In reading the History of Paper Money in China, our readers will bear in mind the fact that as the whole period embraced in the narrative, preceded the discovery of America, silver was many times more valuable then than it is now. Thus when the Chinese Government issued notes which it intended should be equal in value to 28,000,000 oz. of silver, we must multiply this sum by four or five to get an adequate idea of the effect this operation had on commercial affairs, and so in other cases.

Paper money had an injurious effect on the Chinese nation, as it has had on all nations; but some individuals were enriched by it. Remusat quotes one old author, who speaks of a certain minister of the crown, who grew so wealthy by the system which impoverished the community, that he acquired the nick name of the *Paper Lord.*

AFRICAN MONEY MARKET.

They have a metal currency in Loggun, the first I had seen in Negroland: it consists of thin plates of iron, something in the shape of the tin with which they shoe race horses. The money market has its fluctuations; the value of this circulating medium is settled by proclamation, at the commencement of the weekly market every Wednesday; and speculations are made by the bulls and bears, according to the belief of its rise or fall. Previous to the Sultan's receiving tribute or duty on bullocks or indigo, the delatoo generally proclaims the currency below par: while, on the contrary, when he has purchases to make for his household, preparatory to their feasts, the value of the metal is invariably increased. The proclamation of the value of the metal always creates an amazing disturbance, as if some were losers and others gainers by the variations.—*Major Denham's Travels.*

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. IV.

Monday.—Read some remarks on banking, addressed by a learned Professor in the University of Pennsylvania, to a member of Congress, from Philadelphia, and was delighted with them beyond measure. It is a common saying that colleges are half a century behind the rest of the world in practical information, but Professor Hare is evidently fifty years in advance of the present generation. Take his initial paragraph by way of example:

"By the most zealous advocate of hard money, it cannot be denied that, the competency of specie to act as money is dependent altogether on its ability to create in the mind of each successive holder, an expectation that it will pass as money at the value at which it may be received. They cannot deny, that during a century in which a piece of coin may have been current, all those attributes which give it a value over other substances, have been inert. As a metal, it will have done nothing. Evidently its sole mean of utility has been its power of creating a confidence that it will pass in the market without depreciation. It follows, that whatever else may prove competent to produce a similar confidence, under like circumstances, must, *as money*, be equivalent to coin."

Excellent! The only utility of metallic money is its power of creating a *confidence!* Excellent! Excellent!

The conclusions at which the Professor arrives are worthy of his premises:

"When the banks stopped specie payments in May last, every note which they had issued, and every credit given by them for deposits, *appeared* to fall in value, relatively to gold and silver, from five to ten per cent. But is it to be inferred that there was an actual depreciation of their notes and credit to that amount? Was it not owing to a rise in the price of specie, which had become an object of demand for exportation, to pay the balance of trade with Europe, caused by a failure in the price of our produce? * * * *

"Is it not evident that the same causes which deprived the banks of the power to redeem their notes or credits with specie, by impairing the credit of individuals, gave to bank notes and bank credits an unusually high value, so that the holder of them in lieu of being a sufferer, was a gainer by the change?

"Viewing the subject thus, would any thing have been more mischievous, absurd, and unjust, than to have forced them to resume specie payments, upon the plea of their legal liability, or to use the argument of Shylock, because "*it was in the bond.*"

Surely there is no wisdom like paper money wisdom. When banks suspend specie payments, their notes actually rise in value, and only *appear* to fall, just as the sun *appears* to revolve round the earth, though the earth actually revolves round the sun! I am beginning to think that members of colleges are not as useless members of the community as some people suppose them to be. Certainly none but a Professor in a University could have discovered that the holders of bank notes are enriched by the banks' stopping payment.

Saw a Loco-Foco passing by and called him in, hoping to convince him by the Professor's logic. Found him utterly intractable. He said that *money* was not only a medium of exchange, but also a *standard* and *measure* of value, and that when it was metallic it had a value in itself independent of what it derived from its use as a commercial medium; and that it was from want of a clear conception of this truth that so respectable a man as Professor Hare had uttered such strange paradoxes.

Read to Loco-Foco the following passage from the Professor's production, and asked him what he thought of it:

"I do not consider a bank as the debtor of the note-holder or depositor, so long as their notes or credits are supported at the market price at which they were issued. The bank is virtually obligated to furnish a currency which will answer the purpose of money, so as to pass in the market without depreciation. Of course the bank stands in the relation of an obligor, rather than in that of a debtor, and becomes only so far liable as it may fail in its obligations."

Loco-Foco was evidently puzzled by this distinction between debts and obligations. Indeed he confessed as much, for he said the whole of the Professor's reasoning reminded him of a story he had once heard, and which he would endeavor to repeat. A certain Irishman went into a certain tavern and called for six pence worth of crackers. They were duly set before him, and after looking at them for some time, he inquired if the landlord would have any objection to change the crackers for six pence worth of brandy toddy. Certainly not, said Boniface. Paddy having finished his potation, was preparing to depart, when the landlord called out to him to pay for the toddy. "Pay for the toddy!" exclaimed Patrick in amazement. "Did I not give you the crackers in pay?" "Well, then," said the landlord, "pay me for the crackers." "Pay you for the crackers! The divil take you! you unconscionable varmint! Hav'nt you got the crackers?" "You may go," said the landlord, utterly confounded; "you have, in some way, diddled me out of six pence. I can't exactly tell how, but I am sure I have lost that much. You can go."

Now, said Loco-Foco, it has always appeared to me that the banks treat the people just as Paddy treated the tavern-keeper. They take two values from us, and give us one value in return. And this in such a manner that few are able to discover the rationale of the process. Professor Hare, however, has laid the matter open, by showing that the outstanding notes of a bank are no part of its debts.

THE HISTORY OF PAPER MONEY IN CHINA.

From the French of M. Klaproth.

The celebrated traveller Marco Polo, of Venice, was the first person who made known in Europe the existence of the *paper money*, which was used at that period by the Mongols, who were the masters of China. These same Mongols afterwards introduced it into *Persia;* in which country their paper bills (assignats) were called *djaou* or *djaw*, a word evidently derived from the Chinese *tchhao*, which means the same thing.*

The circumstance, that the Mongols, both in China and Persia, made use of paper money, has led some authors to think that they were the inventors of it; and the celebrated Schloetzer, of Gottingen, published a dissertation under this title: *The Mongols inventors of paper money in the XIIIth century.*† But this learned man might have avoided giving out so hazardous an assertion, if he had read the *History of Tchinghiz-khan*, (Jenghiz-khan,) and of the *Mongol dynasty in China*, composed, on Chinese authorities, by Father Gaubil, and published in 1739, about sixty years before the Memoir of Mr. Schloetzer. In that history (p. 114) is considered, the suppression of the ancient paper money, which was in use under the *Soung* dynasty, which reigned in China before the Mongols, and there is also mention made of a new species of paper bills (assignats) which were substituted for the ancient ones, in 1264, by the Minister *Kia-szu-tao.*‡

It seemed to me, that it would be interesting to investigate, in Chinese authors, the date of the invention of paper money; and my undertaking having been crowned with success, I have the honor to offer the result of my researches to the Asiatic Society.

The most ancient financial operation devised by the Chinese ministry, in order to meet the public expenditures, which had become too great for the revenues of the State, has its date in the year 119 before the Christian era, and in the reign of the Emperor *Ou-ti*, of the great *Han* dynasty. At that period they introduced the *phi pi* [pronounced phee-pee] or *value in skins*, which were pieces of the skins of certain white deer that were fed in the interior park of the palace. They were a foot square, Chinese measure, and were ornamented with extremely delicate paintings and embroidery. Every prince or grandee, and even the members of the imperial family, who wished to make their court to the emperor, or who were invited to ceremonies or repasts in the palace, were obliged to cover with one of these skins the screen (*tablette*) which they held before their faces in the presence of the "son of Heaven." The minister of the emperor's household had fixed the price of these *phi-pi* at 40,000 deniers, which is nearly 300 francs. They were current at that rate in the palace and among the grandees; but it seems they never passed as money among the people.

Ma-touan-lin relates, that after the years *ta-nie* (A. D. 605—617) until the end of the dynasty of the *Soui*, the general derangement of affairs in China having reached its height, they made use of all sorts of things in the guise of money; as, little circular pieces of iron, cut pieces of cloth, and even pasteboard.

At the beginning of the reign of the emperor *Hi-ant-soung*, of the *Thang* dynasty, or about A. D. 807, coined copper having become extremely scarce, they renewed the prohibition against making use of vessels and utensils of that metal.* The emperor also compelled the traders who arrived in the capital, and the rich families generally, to deposit their specie in the public chest; and, in order to facilitate trade, they received securities (*bons*) which had a currency every where, and to which they gave the name of *fey-thsian*, or "flying money." However, scarcely three years had elapsed, when they were obliged, in the capital, to suppress the use of this paper; which, then, was no longer current, except in the provinces.

Thai-tsu, the founder of the *Soung* dynasty, and who ascended the throne A. D. 960, permitted the traders to deposit their silver, and even merchandise, in the different imperial treasuries; and the securities (*bons*) which they received were called *pian-thsian*, or "convenient money." They received them eagerly every where. In the year 997, paper of this kind had been issued for 1,700,000 ounces of silver; and in 1021, there had been an addition to it equivalent to 1,130,000 ounces.

It was in the *Chou* [Shoo] country, which is now the province of *Szu-tchhouan*, that they introduced for the first time a real paper money currency; that is to say, paper bills (assignats) substituted for silver, and not guarantied by any pledge whatever. A certain *tchang-young* introduced it as a substitute for the *iron money*, which was too clumsy and inconvenient.† These paper bills were called *tchitsi*, or *coupons*. In the reign of *Tchin-tsoung*, of the Soung dynasty, (from 997 to 1022,) this example was followed, and they made bills under the name of *kiao-tsu*, or "exchanges." These were payable every three years; so that in the space of sixty-five years there would be twenty-two periods of payment. Every *kiao-tsu* was equal to one *string* of a thousand deniers, and represented one ounce of pure silver. Sixteen of the richest houses directed this financial operation; but, in the end, the undertakers of it not being in a condition to fulfil their engagements, they were obliged to be-

---

* This Chinese word (or character) is a compound of *kin*, metal, and *chao*, little; and it means, *the lack of metal*, (that is, *coined metal*.) When it is pronounced *choa*, it means *to take by force, to steal, to possess one's self of the property of another*.

† Schloetzer kritisch-historische Nebenstunden. Goettingen, 1797, in 8vo. p. 159, &c.

‡ This name is sometimes written *Kiassctao*. [Translator.]

* The cause of the scarcity of copper, which was so often experienced in China, was chiefly the manufacturing of a great amount of bronze images, representing *Foe*, [Fobi] and the saints of his religion. Accordingly we find copper and money re-appearing after every persecution suffered by that religion in China.

† The first *iron* money was made in China by the rebel *Koung-sun-chou*, who died A. D. 36. The emperors, however, did not follow this example until 524. It was at that period that *Ou-ti*, of the *Liang* dynasty, coined similar pieces, and since that time they have often been used.

come bankrupt, which gave occasion to much litigation. The emperor abolished the bills of this company, and took away from individuals the power of issuing paper money, reserving to himself the establishment of a bank for bills at *Y-tcheou*.

About the year 1032, there were 1,256,340 ounces in the bills called *kiao-tsu*, or "exchanges." In 1068, it was found that there were counterfeits of them; and they imposed the same punishment on the counterfeiters as for counterfeiting the Government seals. At a later period they established, at different intervals, banks for the *kiao-tsu* bills in several provinces of the empire. The bills of one province were not current in the others, and they often altered the terms of payment and their mode of circulation.

Under the emperor *Kao-tsoung*, in 1131, they were desirous of making a military establishment at *Outcheou;* but as the necessary funds arrived with great difficulty, the mandarins who had the direction of that undertaking, proposed to the *houpou*, or minister of the treasury, to issue some *kouan-tsu*, or securities, with which they might pay the persons who furnished provisions for the troops. These securities were redeemable at a special office for that purpose; but it appears they gave rise to abuses and occasional murmuring among the people. Subsequently, similar securities were put in circulation in other provinces of China.

In 1160, (still during the reign of *Kao-tsoung*,) the *houpou* created a new paper currency, called *hoei-tsu*, or *conventionales*. In their origin, these new bills were current only in the province of *Tche-kiang* and its vicinity; but they were soon disseminated through the whole empire. The paper which they used to make them of, was originally manufactured only in the towns of *Hoei-tcheou* and *Tchhi-tcheou* of *Kiang-nan*. At a later period they also made it at *Tching-tou-fou*, in *Szu-tchhouan*, and at *Lin-ngan-fou*, in the province of *Tche-kiang*.

The first *hoei-tsu* (conventionals) were equivalent to a *string* of one thousand deniers; but under the reign of *Hiao-tsoung*, in 1163, they made them of 500, 300, and 200 deniers. In five years, that is to say, up to the seventh moon of the year 1166, they had issued this paper to the amount of 28,000,000 of ounces; and on the 13th of the eleventh month of the same year, that amount was found to be increased by 15,600,000 ounces. During the remainder of the reign of the *Soung* dynasty, the quantity of this paper went on constantly increasing.

Besides this, there were also the *kiao-tsu*, and some other paper peculiar to the provinces; so that the empire was flooded with paper bills, which depreciated from day to day, in spite of the different changes and modifications which the Government thought fit to make in them, in order to enhance the currency of them.

Finally, in the reign of *Ly-tsoung*, of the same dynasty, and in 1264, the minister *Kia-szu-tao*, seeing the currency of the *hoei-tsu* so low, and the price of provisions so high, thought it proper to substitute in part for this paper a new description of bills, which he called *yn-kouan*, or *silver obligations*. The *hoei-tsu of seventeen terms*, as they were called, were entirely abolished; and they took up three of those of *eighteen terms* with one of the new bills, which bore the character *kia*. But, though they received even the torn bills in payment of imposts, the minister could not succeed in effecting a rise in the currency of the paper issued by the treasury, nor a reduction in the price of merchandise.

While the latter emperors of the *Soung* dynasty were withdrawn into the south of China, the north part of the country found itself under the domination of the *Niu-tchy*, a people of the Tungusian race, that had founded a new empire under the name of *Kin*, or *Kingdom of Gold*. Their princes are known in the Arabian and Persian historians, by the name of *Altoun-khan*. The continued wars which laid waste all China, had considerably impoverished all the provinces of that fine country; so that in the year 1155, copper having become extremely scarce in the kingdom of *Kin*, they were obliged to establish among them banks for paper bills, upon the plan of the *kiao-tsu* of the Soung dynasty. The bills of two, four, eight, and ten *strings* of a thousand deniers were called *large bills;* and the *small bills* were of 100, 300, 700, and 900 pieces of copper. Their rate was fixed for seven years; and after that term they exchanged the old bills for new ones. In all the provinces there were banks, and the Government retained fifteen pieces of copper for each *string* of one thousand, in order to cover the expense of making and registering the bills.

In the latter half of the XIIIth century, the Mongols made themselves masters of China, where they founded the dynasty called *Youan*, which reigned from 1279 to 1367. Even before the entire subjugation of China, *Koublai-khan*, or *Chi-tsou*, the first emperor of that dynasty, had introduced paper bills (assignats) among the Mongols, between 1260 and 1263. In 1284 he directed the mandarin *Lou-chi-joung* to present to him a plan for the emission of a new paper money; but that emission did not take place till 1287; and from that time the Mongols only increased the quantity of their paper bills called *paotchhao*, or *paper money of value*.

Bills of *one string*, made in the years *tchi-youan*, (1264—1294,) were substituted for those of *five strings*, or of 5000 deniers, which they had created during the years *tchoung-thoung*, (1260—1263,) and which were made of the bark of the *tchu* tree, (morus papyrifera,) and one foot square, Chinese measure. Those of *one string* of the years *tchi-ta*, (1308—1311,) succeeded those of *tchi-yuan* of five strings. They were valued at one once of pure silver, and the tenth part of an ounce of gold. In this manner the Government had reimbursed, by four per cent. of value, the capital of the first emission, and by twenty per cent. that of the second. Towards the end of the *Youan* dynasty, the paper money had lost much of its credit; and in 1351, they found themselves obliged again to make changes in their system of

paper currency; but all their expedients and attempts to produce a rise in the funds were fruitless; and the Mongols were compelled to abandon China, which they had totally ruined by their *tchhao*, or "paper money of value."

This state of things obliged the emperors of the *Ming* dynasty, who succeeded the Mongols, not only not to abolish the *tchhaos*, but to create a new emission of them. In 1375, they issued six different kinds of paper, viz: bills of *one string*, of a thousand deniers, of 500, 300, 200, and 100 copper pieces; those of a thousand deniers were equivalent to one ounce of silver. They prohibited the people's making use of gold, silver, or valuable articles to trade with. The value of these bills fell at once, and they would give only thirteen strings of copper pieces for seventeen in paper.

It appears that the first Ming emperors increased considerably the quantity of these bills; for in 1448, they had so little credit, that they would only give three deniers for one *tchhao* of a string of one thousand. The Government thought to remedy this disgrace of its paper, by prohibiting the use of copper pieces, and by forcing the people to use only paper bills. Seven years afterwards there appeared an ordinance which provided, that they would collect in the paper currency, the imposts of the markets in the two capitals of the Empire. However, these measures did not produce the desired effect; and the *tchhaos* having remained in discredit, terminated by disappearing from circulation. At least history makes no further mention of them after the year 1445.

The Mandchous, [Mantchoos,] who succeeded the Ming dynasty, and who are at present the absolute masters of China, have never attempted to issue any paper money whatever; for these barbarians are as yet ignorant of the fundamental principle of all good financial administrations, namely, that the more debts a country has, the more rich and happy it is.

In Japan, paper money is called *kami-zeni.* Its introduction into the empire dates from the time of Dairo Go-daigo-no-tenoo, who reigned from 1319 to 1331, and who in 1334 was reinstated on the throne, which he occupied again for three years. However, it never threw out of use the pieces of copper, and the Japanese assignats have always represented considerable values. I am not certain whether they are yet in use, but it appears certain that they used them sixty or seventy years ago.

NOTE.—The paper bills (assignats) of the *Soung-Kin*, and *Mongol* dynasties, were all made of the bark of the *tchu* tree. Those of the first were only sheets printed and authenticated with the Government stamps; but those of the *Mongols* exhibited other ornaments. The paper, which was used by the *Mings* to make their bills, was made from all sorts of plants. We find in the work of Father Du Halde, (vol. ii., p. 163,) a figure of one of the paper bills of the time of the Mings.

THE UNITED STATES BANK.—PUBLIC LOANS.

The following is part of a letter from a respected correspondent in Philadelphia County.

"The failure of the United States Bank of Pennsylvania is a most reproachful occurrence to our City, State, and Nation: and the subject will, I hope, receive the most thorough investigation. "*Search Jerusalem with candles!*" Let us have a complete and minute chart of the disastrous voyage of the bank, and the whole history of her pilots—not so much, if at all, with a view to retribution, but as beacons for the future. Give us the whole truth—let who will be exposed. Causes may thus be accurately and distinctly investigated and ascertained—history may be arrived at, and philosophy illustrated and supported.

"I read your dissertations on banking with judicial gravity and critical sternness. From the friend of gold we expect gold seven times tried. You will not, I hope, condemn the use because of the abuse. In your sixth number you say, speaking of public loans, "government wants capital, not mere credit." If banks are in a sound state, as they clearly ought to be, and as perfect as legislation can make them, which will include a due proportion between their bank notes and specie, are not their notes to all intents "capital," as much so as an equal amount of silver, or their value in land and labor?"

The causes that led to the destruction of the Bank of the United States, belong to our proposed *continuation* of the History of Banking, rather than to the Journal. To give these as they ought to be given, we want certain materials which are not accessible to the public at large. They might be obtained, if a faithful investigation of the affairs of the bank were made by a committee of the stockholders. As our correspondent is acquainted with many of them, we would suggest to him the propriety of urging them to have a thorough inquiry made into the manner in which the Bank of the United States has been conducted.

In relation to the second point touched on by our correspondent, we must be permitted to observe that we cannot regard mere *evidences of debt* as CAPITAL. The notes of banks, even when they are ready to pay specie for them, promptly, on demand, are mere *evidences of debt*. The bank that issues them, does, indeed, derive as much revenue from them as it would from so much capital, but it is only because, through their instrumentality, the capital of the farmer, manufacturer, or other producer, is transferred to the bank borrower, who pays interest to the bank, instead of paying it to the farmer, manufacturer, or other producer to whom the interest is in justice due.

BANK NOTE ENDORSEMENTS.

Some of the good people of this city never pay away a bank note, without first endorsing it: not exactly with their own names, but with some sentence full of meaning.

As writing such sentences was found rather troublesome, recourse has been had to printing, and ten such "endorsements" as are found below can be purchased of Mr. James Davis, bookseller, 449 Market street, at the low price of one cent. They are printed with good large type, on fair paper.

It will be observed that the quotations are from the writings and speeches of men of *all* parties—Old Federalists and Modern Whigs, Democrats of the olden times and Democrats of the modern times; and, therefore, men of *all* parties *ought* to be satisfied with them.

Those who use them should be careful not to paste them on the back of notes *payable to order*. Through a mistake of this kind, a man might lose ten dollars, though the cost of the paper endorsement would be but one tenth part of a cent.

"For a long time I saw with pain, the advances of an aristocratic moneyed power, which threatened to cast a poisonous mildew over our precious liberties. They would have rendered our fair country a passive instrument in their hands, in which case Freedom would have vanished from among us."—*La Fayette.*

"'No State shall emit bills of credit.' Can a State charter swarms of banks to flood the land with bills of credit and bills of no credit, until they shall eat up and devour our substance, and bring upon us more plagues than were ever brought upon Egypt? No! This is clearly a violation of the Constitution of the United States."—*Wm. Leggett.*

"I feel myself bound, by the defying manner of the arguments advanced in the support of the renewal of the U. S. Bank Charter, to obey the paramount duties I owe to my country and its Constitution, to make one effort, however feeble, to avert the passage of what appears to me to be a most unjustifiable law."

"What is a corporation such as the bill contemplates? It is a splendid association of individuals taken from the mass of society, and vested with exemption, and surrounded with immunities. By whom is this immense power wielded? By a body who, in derogation of the great principle of our institutions, responsibility to the People, are amenable only to a few Stockholders, and they chiefly foreigners."—*Henry Clay*, 1811.

"The paper system being founded on public confidence, and having in itself no intrinsic value, is liable to great and sudden fluctuations; thereby rendering property insecure, and the wages of labor unsteady and uncertain. The corporations which create paper money cannot be relied on to keep the circulating medium uniform in amount. In times of prosperity, when confidence is high, they are tempted by the prospect of gain, or by the influence of those who expect to profit by it, to extend their issues of paper beyond the bounds of discretion, and the reasonable demands of business, and when these issues have been pushed from day to day, until public confidence is shaken, then a reaction takes place, they immediately withdraw the credits they have given, suddenly contract their issues, produce an unexpected and ruinous contraction of the circulating medium, which is felt by the whole community."—*Andrew Jackson's Farewell Address*, 1837.

"I cannot but lament, from my inmost soul, that lust of paper money which appears in some parts of the United States. There will never be any uniform rule if there is a sense of justice, nor any clear credit, public or private, nor any settled confidence in public men or measures, until paper money is done away."—*John Adams to John Jay*, 1786.

"No nation had a better currency than the United States; there was no nation which had guarded the currency with more care; for the framers of the Constitution, and those who enacted the early statutes on the subject, were Hard Money Men; they had felt, and therefore duly appreciated the evils of a paper medium; they therefore sedulously guarded the currency of the United States from debasement. The legal currency of the United States is gold and silver. This is a subject upon which Congress has run into folly."—*Daniel Webster*, 1816.

Extract from a Speech of Daniel Webster in the U. S. Senate in 1832.

"Of all the contrivances for cheating the laboring classes of mankind, none is so effectual as that which deludes them with Paper Money!!! It is the most perfect expedient ever invented for fertilising the Rich Man's fields by the sweat of the Poor Man's Brow!!!"

"The wisdom of man, in my humble opinion, cannot devise a plan by which the credit of paper issues would be long supported; consequently, depreciation keeps pace with the quantity of the emission, articles for which it is exchanged rise in a greater ratio than the sinking value of the money. Wherein, then, is the farmer, the planter, the artizan benefited? An evil, equally great is the door it immediately opens for speculation, by which the least designing, and perhaps the most valuable part of the community are preyed upon by the more knowing and crafty speculators."—*Washington*, 1787.

"They (the banks) grow rich upon the interest of their debts exacted from the whole community, upon which debts and promises of payment, struck off at the rate of a million in a day, they pay no interest whatever.

"Banks raise and depress at pleasure, not only the prices of wages, but of every article the working-man is compelled to purchase for the

subsistence of himself and family; and if they augment for a time the nominal price of wages, it is only to enhance in a still greater proportion the price of living and subsistence."—*Robert J. Walker in U. S. Senate*, 1840.

"For one, I enter my protest against banking as conducted in this country—a system not to be supported by any sound principles of Political Economy—a gross delusion, a dream of a visionary—a system which has done more to corrupt the morals of society than any thing else—which has introduced a struggle for wealth, instead of that honorable struggle which governs the actions of a Patriot, and makes ambition virtuous."—*John Tyler in U. S. Senate*, 1819.

From Melincourt, a work published in London 30 years ago.

THE PAPER MILL.

As Mr. Steady and Mr. Fox were passing through the town of Gullgudgeon, they found an immense crowd assembled in a state of extreme confusion, exhibiting every symptom of hurry, anxiety, astonishment and dismay. They stopped to inquire the cause of the tumult, and found it to proceed from the explosion of a Paper Mill, in other words, the stoppage of the bank of Messrs. Smoke, Shadow, Airbubble, Hop-the-twig & Co. Farmers, bumpkins, artisans, mechanics, tradesmen of all descriptions, the inn-keeper, the lawyer, the doctor, and the parson; soldiers from the adjoining barracks, and fishermen from the neighboring coast, with their shrill voiced wives, rolling in *en masse*, like a stormy wave, around a little shop of which the shutters were closed, with the word B A N K in golden letters over the door, and a large board on the central shutter, notifying that "Messrs. Smoke, Shadow, Airbubble, Hop-the-twig & Co., had found themselves under the disagreeable necessity of suspending their payments;" in plain English, they had found it expedient to fly by night, leaving all the machinery of their mill, and all the treasures of their mine, that is to say, several reams of paper, half a dozen account books, a desk, a joint stool, an ink stand, a bunch of quills, and a copper plate, to satisfy the claims of the distracted multitude, who were shoaling in from all quarters with promises to pay, of the said Smoke, Shadow, Airbubble, Hop-the-twig & Co., to the amount of one hundred thousand pounds.

Mr. Fox addressed himself for an explanation of the particulars to a plump and portly divine, who was standing at a little distance from the rest of the crowd, and whose countenance exhibited no symptoms of the rage, grief and despair which was depicted in the physiognomies of his dearly beloved brethren of the town of Gullgudgeon. "You seem, sir," said Mr. Fox, "to bear the general calamity with Christian resignation." "I do, sir," said the reverend gentleman, "and with a very orthodox reason—I have none of their notes—not I. I was obliged to take them now and then against my will, but I always sent them off to town, and got cash for them directly."

"You mean to say," said Mr. Steady, "you got a bank of England note for them."

"To be sure," said the divine, "and that is the same thing as cash. There is a Jacobin rascal in this town, who says it is a bad sign when the children die before the parent, and that a day of reckoning must come sooner or later, for the old lady as well as her daughters; but myself and my brother magistrates have taken measures for him, and shall soon make the town of Gullgudgeon too hot to hold him, as sure as my name is Tythes."

"You seriously think," said Mr. Fox, "that his opinion is false."

"Sir," said the reverend gentleman, somewhat nettled, "I do not know what right any one can have to ask a man of my cloth what he seriously thinks, when all that the world has to do with is what he seriously says."

"Then you seriously say it, sir?" said Mr. Fox.

"I do, sir," said the divine, "and for this very orthodox reason, that the system of paper money is inseparably interwoven with the present order of things, and the present order of things I have made up my mind to stick by precisely as long as it lasts."

"And no longer?" said Mr. Fox.

"I am no fool, sir," said the divine.

"But, sir," said Mr. Fox, "as you seem to have perceived the instability of what was called (*like lucus a non lucendo*,) the *firm* of Smoke, Shadow, Airbubble, Hop-the-twig & Co., why did not you warn your flock of the impending danger?"

"Sir," said the reverend gentlemen, "I dined every week with one of the partners."

Mr. Steady took notice of an elderly woman, who was sitting with a small handful of dirty paper, weeping bitterly on the step of the door. "Forgive my intrusion," said he; "I need not ask you why you weep; the cause is in your hand."

"Ah, sir," said the poor woman, who could scarcely speak for sobbing, "all the savings of twenty years taken from me in a moment; and my poor boy when he comes home from sea."—She could say no more, grief choked her utterance.

"Good God!" said Mr. Steady, "did you lay by your savings in country paper."

"O, sir!" said the poor woman, "how was I to know that one piece of paper was not as good as another? And every body said that the firm of Smoke, Shadow, Airbubble, Hop-the-twig & Co. was as good as gold." She then unfolded one of the promises to pay, which she handed to Mr. Steady. He comforted her as well as he could; but he found the purchasing of one or two of her notes much more efficacious than all the lessons of his philosophy.

"This is all your fault," said a fisherman to his wife; "you would be hoarding and hoarding, and stinting me of my drop of comfort when I came in after a hard day's work, tossed and beaten and wet through with salt water; and there's what we've got by it."

"It was all your fault," retorted the wife, "when we had scraped together twenty as pretty golden guineas as ever laid in a chest, you would sell 'em, so you would, for twenty-seven pounds of Mr. Smoke Shadow's paper; and now you see the difference."

"Here is an illustration," said Mr. Fox to Mr.

Steady, "of the old maxim of experience teaching wisdom. We ought now to be convinced, if not before, what Plato has said is strictly true, that there will be no end of human misery till governors become philosophers or philosophers governors; and that all the evils which this country suffers, and I fear will suffer, to a much greater extent, from the bursting of this fatal bubble of paper money—this chimerical symbol of imaginary riches, are owing to the want of true political wisdom in our rulers, by which they might have seen things in their causes, not felt them only in their effects, as even the most vulgar man does; and by which foresight all the mischiefs that are befalling us might have been prevented."

A respectable looking female approached the crowd, and addressing herself to Mr. Fox, who seemed most at leisure to attend her, asked him what chance there seemed to be for the creditors of Messrs. Smoke, Shadow, Airbubble, Hop-the-twig & Co. "By what I can gather from the people around me," said Mr. Fox, "none whatever." The lady was in great distress at this intelligence, and said that they were her bankers, and that it was the second misfortune of the kind that had happened to her. Mr. Fox expressed his astonishment that she should have twice been the victim of the system of paper coinage, which seemed to contradict the old adage about a burnt child; and said it was for his part astonishing to him how any human being could be so deluded after the perils of the system had been so clearly pointed out, and amongst other things in a pamphlet on the insubstantiality of Smoke. "Indeed," she said "she had something better to do than to trouble herself about politics, and wondered he should insult her in her distress by talking of such stuff to her."

"Was there ever such infatuation?" said Mr. Fox, as the lady turned away. "This is one of those persons who choose to walk blindfold on the edge of a precipice, because it is too much trouble to see, and quarrel with their best friends for requesting them to make use of their eyes."

"A curse light on all kite flyers!" vociferated a sturdy farmer. "Od rabbit me! here be a bundle of trash, masters! not worth a five and six penny dollar altogether. This comes of paper mills. 'I promise to pay,' ecod! Oh, the good old days of golden guineas, when I used to ride home from market with a great heavy bag in my pocket; and when I wapped it down on the old oak table, it used to make such a sound as did one's heart good to hear it. No promise to pay then. Now a man may eat his fortune in a sandwich, or set fire to it in a farthing rushlight. Promise to pay!—the lying rascals, they never meant to pay; they knew all the time they had nothing to pay with. But such a pretty, smooth spoken, palavering set of rascals, standing with quills behind their ears, and smiles on their faces! why, Lord bless you! they would have made you believe that black was white, and though you could never get any thing of 'em but one o' their own dirty bits of paper in change for another, they were as rich as so many Jews. Ecod! and we were all fools enough to believe them, and now see what we have come to."

"Yes, father," said a young fop at his elbow, "all blown, curse me."

"Yes," said the farmer, "and you're burst and blown, and you must sell your hunter, and turn to the plough tail; and your sisters must churn butter, and milk the cows, instead of jingling penny-vorties, and dancing at race balls with squires.—We must be old English farmers again; and none of your fine high-flying promise to pay gentlefolks. There they be—spell 'em: 'I promise to pay to Mr. Gregory Gass, or bearer, on demand, the sum of five pounds—Gullgudgeon Bank, April 1st—For Smoke, Shadow, Airbubble, Self and Company, Henry Hopthetwig. Entered, Davenport Walkoff.' And there be the coat of arms; two blacksmiths blowing a forge, wi' the chimney for the crest, and a wreath of smoke coming out o' it; and the motto, 'You can't catch a bowl full!' Od rabbit me! here be a whole handful of 'em, and I'll sell 'em all for a five and six penny dollar."

The "Jacobin rascal" of whom the reverend gentleman had spoken, happened to be at the farmer's elbow—"I told you how it would be," said he, "Master Sheepshead, many years ago; and I remember you wanted to put me in the stocks for my trouble."

"Why, I believe I did, Master Lookout," said the farmer, with a very penitent face; "but if you'll call on me some day, we'll drown old grudges in a jug of ale, and light our pipes with the promises of Master Hop-the-twig and his gang."

"Not with all of them, I entreat you," said Mr. Lookout, "I hope you will have one of them framed and glazed, and suspended over your chimney, as a warning to your children, and your children's children for ever, against the blessed comforts of paper money."

"Why, Lord love you, Master Lookout," said the farmer, "we shall have nothing but paper money still, you see, only from another mill like; it is a bad state of things, and must come to a bad end, sooner or later; but it will last my time."

"You are not in the last stage of consumption, are you?" said Mr. Lookout.

"Lord love you, no," said the farmer, "do I look so?"

"No, but you talk so," said Mr. Lookout. "I'll only say to you, *mark the end of it;* it is a system of rascality and villainy, and must end sooner or later with disgrace and ruin to all concerned in it."

"Do you hear him?" said the Rev. Mr. Tythes. "Do you hear the Jacobin rascal? Do you hear the libellous, seditious, factious, levelling, revolutionary, republican, democratical, atheistical villain?"

TAXES IN GEORGIA.

The Griffin Jeffersonian states that a comparison of the tax books of the different counties of Georgia, shows an increase in taxes during the last year of $583,859 87. Last year the taxes were only $138,927 94. This year they amount to $722,786 91.

A BANK MAN.

We were toiling on towards the top of the mountain, when, at a sudden turn, we met a solitary traveller. He was a tall, dark-complexioned man, with a broad brimmed Panama hat, rolled up at the sides; a striped woollen Guatimala jacket, with fringe at the bottom; plaid pantaloons, leather spatter dashes, spurs, and sword; he was mounted on a noble mule with a high-peaked saddle, and the butts of a pair of horseman's pistols peeped out of the holsters. His face was covered with sweat and mud; his breast and legs were spattered, and his right side was a complete incrustation: altogether, his appearance was fearful. It seemed strange to meet any one on such a road; to our surprise, he accosted us in English. He had set out with muleteers and Indians, but had lost them in some of the windings of the wood, and was seeking his way alone. He had crossed the mountain twice before, but had never known it so bad; he had been thrown twice; once his mule rolled over him, and nearly crushed him; and now she was so frightened that he could hardly urge her along. He dismounted, and the trembling beast and his own exhausted state, confirmed all that he had said. He asked us for brandy, wine, or water, or any thing to revive him; but unfortunately, our stores were ahead, and for him to go back one step was out of the question. Imagine our surprise, when, with his feet buried in the mud, he told us that he had been two years in Guatimala, negotiating for a bank charter. Fresh as I was from the land of banks, I almost thought he intended a fling at me; but he did not look like one in the humor for jesting; and, for the benefit of those who will regard it as an evidence of incipient improvement, I am able to state that he had the charter secured when he rolled over in the mud, and was then on his way to England to sell the stock.—*Stephens's Incidents of Travel in Central America.*

LEGAL DECISION.

An important case was decided in the Oyer and Terminer, at Utica, a day or two ago. It was that of the Central Bank at Utica vs. The Bank of New York, involving the loss of some $20,000 by the one or the other party. The material question regarded the right to three days grace on a draft by one bank on another. The draft in this case was sent by the plaintiff to the defendant bank for collection, not paid at maturity, and only protested by the bank after three days had expired. The Central contends that it should have been protested on the day when, by its terms, it fell due; the Bank of New York responds, that uniform immemorial usage allows three days grace on such as on other drafts. Verdict for defendant. The case is to be carried up, exceptions having been taken.

THE ERIE BANK.

In one of our former numbers, we mentioned that this bank was willing to take some hundred thousand dollars more of the State Loan. We are gratified now in being able to state, that the State Treasurer has taken legal advice on the subject, and that Mr. Binney has given it as his opinion, that the Relief Law would not sanction this financiering expedient. One of conditions on which the bank was willing to take an additional amount of the loan, or in other words to issue some hundred thousand dollars in small notes, redeemable in stocks, was that the officers of the bank should have the privilege of paying them out to such contractors on the public works as they themselves might select!

SOUTHWARK AND KENSINGTON BANKS.

On the 5th of October, writs of *quo warranto* were, by the Court of Common Pleas of Philadelphia, awarded against these banks, to show cause why their charters should not be forfeited, for refusing to lend to the State the amount required of them by the Relief Law of the last Legislature.

The proceedings on these writs will afford a good opportunity for testing the constitutionality of the aforesaid Relief Law.

BANK FAILURES.

On Monday, September 27th, the doors of the Commercial Bank, at New York, were closed.

This is one of the institutions created in 1833–34, with a view, as is stated, of getting a portion of the public deposits. It did a speculative business for some years, that is to say, lent money to land speculators, instead of discounting commercial paper. Its fate is such as naturally befalls banks conducted on erroneous principles.

At one time, on a capital of $500,000, it made loans to the amount of about $1,100,000. This amount is now reduced to about $700,000. Many of the debts due to the bank are said to be of doubtful character.

The Comptroller of the State has advertised for a loan of $120,000, at 6 per cent., to redeem the notes of the Commercial Bank. The New York Safety Fund exists only in the shape of a debt due by the State.

The New York Herald contains a letter from St. Louis, which speaks of a report prevalent in that city of "the Aboukir Banking Company of Iowa Territory having failed, after having, during an existence of six months, put into circulation about 500,000 dollars. The failure of the bank has been ascribed to the Swartouting of the cashier, who passed through St. Louis, Sept. 15, on his way, doubtless, to Texas, with, it is said, $80,000 in specie. The bank was alledged to be founded on real estate to the amount of four hundred thousand dollars, but it is asserted that investigation shows the real estate to amount to about half an acre of town lots, worth probably five hundred."

BANK DEFAULTS.

It is stated in "The Muskingum Valley," that the forged bills of exchange, for which the president of the Bank of Gallipolis was sentenced to imprisonment, amounted to $108,900. Others were found among his papers, swelling the total to about $400,000.

Jones, the defaulting teller of the Troy, N. Y. Bank, whose feats were duly recorded in our sixth number, was caught at Detroit, and brought back to Troy. Bail was demanded from him to the amount of $2500. His friends, and young associates, from mistaken motives of sympathy, clubbed together and raised the money, and the probability is that he will never be brought to trial.

Wingate, the defaulting cashier of the branch bank of Cape Fear at Raleigh, N. C., is said, as well as Jones, to have been a gambler—not professionally, but to an extent sufficient, it seems, to cause him to betray his trust. The amount of his deficit is now stated to be something less than 14,000 dollars.

Town, the defaulting teller of the branch bank of the State Bank of Illinois, was, while in prison, "treated like a gentleman." His escape excited no surprise among the citizens of Jacksonville. They never expected that he would be brought to punishment.

The State Bank of Illinois, at Springfield, has been defrauded by one of its clerks, a Mr. Cornwell, in an amount exceeding 650 dollars. "The manner in which he carried on his speculations," says the Springfield Register, "shows that there are ways of robbing a bank which might never be discovered. In the present case, *accident* brought the robbery to light."

What the manner was, we know not, for the Indianapolis Sentinel, to which we are indebted for this item of intelligence, refuses to give the details, "as it might operate unfavorably on the *morals* of the officers of the State Bank of Indiana." The Jacksonville Illinoisan, swells the sum abstracted to about 10,000 dollars.

The Bank of Millington, Maryland, broke before we commenced our Journal. Ellis, its president, was brought to trial lately for some fraudulent transactions connected with the institution, and was convicted. After conviction he was put in prison, but a motion for a new trial prevailed, and he was bailed in the sum of $4000, to take his trial at the next term.

The Herkimer, (N. Y.) Bank was robbed by the book-keeper, a young man of the name of Brown, on the night of the 25th of September. He took from it 70,000 dollars in gold and notes, and went off with two companions. They were pursued, and in the course of a few days were all arrested, and forced to restore their ill-gotten gains.

THE FOREIGN NEWS.

Sir Robert Peel, the new premier of Great Britain, has signified that it is not his intention to bring forward any new measure of importance during the present session.

Petitions signed by many persons of influence have been sent from the manufacturing districts, praying the Queen not to prorogue Parliament, till it shall have done something for the relief of the country.

It is now said that the harvest will fall short one sixth or one seventh of the average crop.

The Nottingham Joint Stock Bank has suspended specie payments. Nothing, it is said, will be lost by the creditors, as some of the co-partners are wealthy and responsible in their private capacity for an amount exceeding the debts of the firm.

The old banking house of Hobhouse & Co, Bath, has also stopped payment.

Money was in request at London at 5 per cent.

The sales of cotton at Liverpool, during the week ending September 17th, amounted to 30,000 bales. 9400 New Orleans, &c., good to fine, 7½ to 8d; 7940 Mobile, &c., good to fine, 7⅛ to 7½; 6720 Upland, Georgia, good to fine, 7 to 7¼. Imports during the week, 12,277 bales. Stock, September 17th, 439,100, American; total stock of all kinds, 579,300. Last year at same date, 498,000.

Hottinguer, the celebrated Parisian banker, died on the 10th of September.

Mrs. Wells, an American lady, carries on at Paris the business of the private banking house so long and so successfully conducted by her late husband. She is said to be well qualified for the business. As she issues no notes, and is responsible in the whole extent of her private fortune for her engagements, we wish her success in her undertaking.

Great excitement prevailed in Paris, on account of an attempt to assassinate one of the princes of the blood royal.

It was generally believed in Paris that the new French loan for 150,000,000 francs, (about 28,000,000 dollars,) would be brought out in October.

INCIDENTS.

In the city of New York, a Mr. Colt, the author of a treatise on book-keeping, has murdered Mr. Adams, who had printed his book for him. Putting all the circumstances of the case together, as narrated in the daily papers, it would seem that Mr. Adams went to demand payment from Mr. Colt, of a sum of 200 dollars, and that words ensued between them. Our readers will recollect that it was *debt* that led Robinson to murder Mr. Suydam, the president of the Farmers' and Mechanics' Bank of New Brunswick.

Paper financiering is not at present confined to banks and bank officers. A number of gentlemen are trying their hands at it, some in one way, some in another. Among the most distinguished is alledged to be a certain Col. Munroe Edwards, alias, John C. Caldwell. He has been arrested in this city, on a charge of having, by means of forged bills of credit, defrauded two New York houses of about 52,000 dollars. He is described as a young and handsome man, of genteel appearance, and prepossessing address.

ACKNOWLEDGEMENTS.

Our thanks are due to gentlemen in Mobile, Alabama; Fayette, Mississippi; Milton, Indiana; Clarkson and East Fairfield, Ohio; Orangeburg, South Carolina; Pikesville and Owing's Mill, Baltimore Co., Maryland, and other places, for additions to our lists of subscribers.

Saturday, October 9th, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	¼ *a* ⅜ dis.	— *a* 2¼ pr.
New Hampshire	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Vermont	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Massachusetts	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Rhode Island	¼ *a* ⅜ dis.	— *a* 2¼ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 2¼ pr.
New York City	Standard.	2⅛ *a* — pr.
New York State	⅜ & ⅝ *a*—dis.	2¼ *a* — pr.
East Jersey	½ *a* — dis.	— *a* 2¼ pr.
West Jersey	3 *a* — dis.	Par *a* 1 dis.
Philadelphia	3¼ *a* — dis.	Standard.
Pennsylvania, East	3¼ & 5 *a*—dis.	Par *a* 1 dis.
" West	3¼ & 5 *a*—dis.	Par.
Delaware	3¼ *a* — dis.	Par.
Baltimore	3 *a* — dis.	½ pr. *a* par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	— *a* 4 dis.	1¼ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	4 *a* — dis.	2 dis.
South Carolina	2 & 3½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	2 *a* 40 dis.
Alabama	10 *a* 11 dis.	7 *a* — dis.
Louisiana	5 *a* 6 dis.	—— 3 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	8 *a* — dis.
Kentucky	9 *a* — dis.	7 dis.
Missouri		7 dis.
Illinois	10⅛ *a* — dis.	8 dis.
Indiana	9½ *a* — dis.	8 dis.
Ohio	10 *a* — dis.	4 *a* 7 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	2½ *a* 2¾ pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.30 *a* 16.50	16.30 *a* 16.40
Patriot Doubloons	15.80 *a* 15.90	15.90 *a* 16.00
Spanish Dollars	5 *a* 6 pr.	4 *a* — pr.
Mexican Dollars	1¾ *a* 2 pr.	3 *a* — pr.
Five Franc Pieces	94¾ *a* 95 cents	95 *a* 96
Half Dollars	⅝ *a* 1 pr.	2½ *a* — pr.
BILLS OF EXCHANGE ON		
London	9¾ *a* 10 pr.	11¾ *a* 13 pr.
France	— *a* 5.17½	5.02½ *a* —
Holland	40⅜ *a* 40½	41 *a* 41¼
Hamburg	36⅝ *a* 36¾	— *a* 38
Bremen	78⅝ *a* 78¾	80 *a* 80¼
Boston	⅛ *a* ¼ dis.	2⅜ *a* 2½ pr.
New York		2¼ *a* 2⅜ pr.
Philadelphia	2¾ *a* 3 dis.	
Baltimore	2 *a* 2⅛ dis.	½ *a* ¾ pr.
Richmond	3½ *a* 3¾ dis.	1 *a* 1¼ dis.
North Carolina	3¾ *a* 4 dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 1 pr.
Savannah	1 *a* 2 dis.	1 *a* 1¼ dis.
Augusta	— *a* 4 dis.	
Columbus	12 *a* 14 dis.	
Macon	15 *a* 16 dis.	
Mobile	8¼ *a* 8½ dis.	6¼ *a* 6½ dis.
New Orleans	3¼ *a* 3¾ dis.	1½ *a* 1¾ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	10 *a* 11 dis.	8½ *a* — dis.
St. Louis	8½ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	5 *a* 6 dis.
Cincinnati	8¾ *a* 9¼ dis.	— *a* 6 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	7½ *a* 11½	10 *a* 12
Mobile	7¼ *a* 11½	10 *a* 12¼
Upland	7 *a* 10½	9 *a* 10½
Flour, Western Canal, per bbl.	5.75 *a* 6.00	
Philadelphia	—— *a* ——	6.12½ *a* 6.37½
Rye Flour	3.50 *a* ——	3.50 *a* ——
Indian Meal	3.37½ *a* ——	3.00 *a* 3.25
Grain—Wheat, per bush	1.25 *a* 1.30	1.30 *a* 1.36
Rye	68 *a* 70	62 *a* 67
Corn	62 *a* 70	59 *a* 62
Oats	43 *a* 50	44 *a* 46
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 33	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	— *a* 4½	4¾ *a* —
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 10	4 *a* 9¾
Wool, American, Merino, per lb.	42 *a* 45	39 *a* 42
Common	25 *a* 30	32 *a* 34
Whiskey, Rye, per gal.	20 *a* 21	24 *a* —
Provisions, Mess Beef, per bbl.	8.75 *a* 9.00	10.00 *a* ——
Mess Pork, per bbl.	9.75 *a* 10.50	10.00 *a* ——
Hams, per lb.	6 *a* 9	6 *a* —
Lard, per lb.	7¼ *a* 8½	7 *a* 8½
Cheese, per lb.	6 *a* 7	7 *a* 7½
Rice, per lb.	3¾ *a* 4	3½ *a* 4

BANK NOTES.

The notes of the Bank of Erie, Pennsylvania, are quoted at 8 per cent. discount in the Philadelphia papers. This is the bank that so kindly offered to lend the State, some hundred thousand dollars in small notes.

The notes of the United States Bank are at from 45 to 50 per cent. discount. The course of this institution is still downward. Its stock has been sold at a fraction over 5, Philadelphia currency.

The Ohio Statesman says there has been quite a whirl about Urbana Bank notes, and that they have been bought at seventy-five cents in the dollar: but that they afterward rose again in value. Another Ohio paper speaks of the notes of the Bank of Cleveland having been refused by business men. Several of the Ohio journalists caution the farmers against retaining in their possession, for any length of time, the notes of any of the banks of that State.

The time appointed by the Receivers of the Farmers' and Mechanics' Bank of New-Brunswick, N. J., for the redemption of its notes, expires on the 21st of October. After that date, the notes may be worth nothing.

NEW COUNTERFEIT.

There is a new counterfeit in circulation, in the city of New-York, in the shape of a $1 bill, on the Commercial Bank of Albany. It is easily detected by the following description:—Light in appearance; principal vignette a ship under sail, with the men reefing the sails; State of, on one side of it, and New-York on the other—*of Albany* and *Albany* one above the other, separated by one dollar in the same sized letters; figure 1 very large each side of the vignette. J. Taylor, Cashier; John Townsend, President.

RATES OF EXCHANGE.

Since our last, the rates of foreign exchange at New-York have risen. Even before this last rise, they were at the point, at which, ever since the introduction of steam packets, many persons have deemed it more advantageous to ship specie, than to remit by bills. Formerly, specie did not begin to leave the country in large quantities, till exchange on England was about 11½ premium. Now it begins to go out, when exchange is at a fraction above 9 per cent.

THE STATE OF TRADE.

The Philadelphia Price Current states that trade is dull for this season of the year. One reason given for this is, that owners of domestic produce, are holding it back for higher prices. Perhaps they will not obtain them. For some time after we commenced this publication, we found that a gradual rise was taking place in the prices of most articles of domestic origin. We could account for it no other way, than by supposing that our paper currency was silently but gradually expanding. A rise in the rates of foreign exchange, and an exportation of specie, were the necessary consequences. And, when these occur, a fall of prices throughout the specie paying region, is inevitable.

THE STOCK MARKET.

What a broker would call a fair amount of business is doing at the stock exchanges of New-York and Philadelphia; but prices generally continue to recede. Pennsylvania State 5 per cents have been sold at 75, which is lower than they ever were before.

The United States Government is in the market, trying to borrow two million dollars. It offers 6 per cent. interest; but capitalists will not lend even at that high rate.

The failure of some of the States punctually to pay the interest on their bonds, and other transactions connected with State debts, have had an ill effect in foreign markets on the credit of the United States Government. Europeans find it difficult to distinguish between the States in their separate capacity, and the States in their collective capacity.

Return of Treasury Notes on October 1, *as compared with September* 1, *and August* 1, 1841.

	Aug. 1.	*Sept.* 1.	*Oct.* 1.
Amount of treasury notes issued under the provisions of acts of Congress of 12th Oct. 1837, May 12, 1838, and March 2, 1839–40,	$26,681,337	26,681,337	26,681,337
Of this amount has been redeemed,	23,823,667	24,864,363	24,902,925
Total outstanding old issues,	$2,857,670	1,816,974	1,778,412
Issues under act Feb. 15, 1841,	5,646,932	5,646,932	5,646,932
Redeemed of that issue,	199,266	199,266	352,320
	$5,447,666	5,447,666	5,294,612
Grand total outstanding,	8,305,336	7,264,660	7,073,024

The chapter on "the convertibility of bank medium," begun in our seventh number, is concluded on the next page.

The practice of the banks is to make provision for those demands only which it is *probable* will be made upon them, which provision is seldom for more than one-fifth of the amount of their actual engagements to pay on demand. It is very easy for the directors to make a mistake in their estimate of probabilities. Events which they could not foresee may occur, and circumstances they cannot control. It is not always easy to say where the line of safety should be drawn; and the directors are at all times tempted to transcend it, from the desire of making large dividends, and raising the price of their stock in the market. Sudden changes in the political and commercial world, may render the best conducted banks unable to comply with their engagements, though they may have in store double the amount of specie, which would, in other times, be necessary to support their credit.

On a certain day in 1819, there were but eighty thousand dollars between us and universal bankruptcy. This was the whole amount of specie in the United States Bank at Philadelphia; and if that had been exhausted, a shock would have been given to bank credit, which would have caused a general suspension of specie payments. In 1825, the condition of both England and the United States was hardly less critical. The failure of two or three of our principal banks would cause a run upon all the others. They could then comply with but a part of their engagements, and their inability to satisfy the claims of the holders of their notes and of depositors, would render the fulfilment of other money contracts impossible. The credit which bank notes enjoy, has been called "suspicion lulled to sleep." Events may awaken that suspicion.

Attempts are sometimes made to show the perfect security of the banks, by contrasting the amount due by them for notes in circulation and for deposits, with the amount falling due to them every sixty or ninety days on account of mercantile paper discounted by them. But such calculations, even when they rest on indisputable data, prove only the ultimate solvency of a bank. The amount due by the bank, on account of deposits, and on account of notes in circulation, may all be legally demanded in one day; nay, in one hour. A greater amount may be owing to the bank, but it is payable at different times, and the extremes of the term are sixty or ninety days apart. The individuals who owe this money to the bank may be rich men: but their ability to pay, within the time agreed upon, depends on the credit of bank paper being maintained. Let the depositors suddenly withdraw but one-half the amount of specie ordinarily retained by the banks, and the credit of bank notes necessarily falls. A portion of the debts due to the banks may be paid in this depreciated paper; but the banks will not have the means of satisfying all their creditors. There being little specie in the country, the collection of debts due by individuals to individuals, would be suspended, if bank paper should suddenly lose its credit.

The danger of such an event may not be very imminent; but it is sufficient to show that the stability of bank medium depends on contingencies which, as they cannot always be foreseen, cannot always be guarded against. What was called "a panic" in England, in 1825, broke up a number of private bankers who were perfectly solvent, and was near proving destructive to the whole system.

So long as bank paper is "convertible," more than a certain amount cannot be kept in circulation for a long time without undergoing a sensible depreciation. Hence "convertibility" fixes a limit which bank issues cannot pass. By carefully watching one another, by attending to the course of foreign exchanges, and by guarding against a drain of specie, the banks may, in ordinary times, maintain the "convertibility" of their paper; but the history of banking, both in England and the United States, since the resumption of specie payments, shows that this "convertibility" cannot give to bank medium that stability which is essential to a sound money system.

In the means by which "convertibility" is maintained, we have an abundant source of evils. It is by one bank pressing on another, and thereby forcing the debtor bank to press on its customers. When there is a foreign demand for specie, the "convertibility" of bank medium is maintained by a general pressure on the community.

Lord Liverpool, in a debate in the British House of Peers, in February, 1826, placed the doctrine of convertibility in its true light. "The doctrine," he said, "maintained by some noble lords, that nothing was better than a paper circulation convertible into gold, is true to this extent—that if convertible into coin, the evil would cure itself, whilst one not convertible would lead to nothing but ruin. But how is the cure to be operated? By the downfall of thousands and hundreds of thousands, and the convulsion of all kinds

of property. It is true that the evil carries its own cure, but with such terrible consequences that the cure is worse than the evil."

CHAPTER XIV.

Of the "Elasticity" of Bank Medium.

"The value of bank medium," says a writer on this subject, "consists in its elasticity—in its power of alternate expansion and contraction to suit the wants of the community. In truth, the merit of a bank is nearly in proportion to the flexibility of its means."

Most unfortunately for this argument, when the demand for money is greatest, the banks are compelled to contract their issues. When the natural demand is least, they are able to expand most. These "alternate contractions and expansions" do not, therefore, "suit the wants of the community."

Nor is it a regard to "the wants of the community" that regulates these "alternate expansions and contractions." It is a simple regard to their own profits that induces the banks to expand their issues. In contractions, the banks have regard to little but their own safety.

Every thing is not, indeed, left to the arbitrary decision of the directors. The natural and political causes that affect trade, affect also their operations.

If wars, or other political operations, cause a flow of specie to a particular point, the banks are immediately compelled to reduce their issues of paper. As a demand on the banks for a million of specie usually causes them to reduce their accommodations to the amount of four millions, the pressure on the community is four times as great as it would be if the foreign demand operated singly.

A rise in the price of our staples in foreign markets enables the banks immediately to expand their issues. The spirit of speculation is then excited, and the banks supply it with aliment. Hence, immediately after news of a rise in the price of flour and cotton, in foreign markets, these articles rise so high at home that they cannot be exported and sold at a profit abroad. The original holders gain something by selling their stock to the speculators. The price is raised on the domestic consumer; but very little is added to the wealth of the nation, for the rise of price at home causes little to be exported.

To enumerate all the causes that affect expansions and contractions of bank issues, would be to enumerate all the causes, immediate or remote, that affect trade, or affect the confidence man has in man. Any thing that excites the spirit of enterprise, has a tendency to increase the amount of bank issues. Whatever damps the spirit of enterprise or of speculation, has a tendency to reduce the amount of bank issues. As the wild spirit of speculation has in most cases its origin, and in all, its aliment, in banking transactions, these various causes operate in a circle. The banks, by expanding their issues, give aliment to the wild spirit of speculation when it begins; and by their contractions, they aggravate the evils of the natural reaction.

One of the principal inducements for preferring the precious metals as the material for money, is the *want* of this very "elasticity" or "flexibility" which the writer above quoted declares is the principal excellence of bank medium. The mere desire of one man to have money, and of another to gratify that desire that he may make a profit by it himself, will not increase the supply of the precious metals. The spirit of wild speculation, therefore, in solid money countries, wants that aliment which is so readily afforded to it in our own. The production of gold and silver requires an expenditure of labor equal to that which must be expended in the production of those articles which gold and silver can procure. The supply is regulated by natural causes which are as powerful as those which regulate the demand.

When an addition is made to the stock of gold and silver in a solid money country, it does not immediately affect prices. It usually comes in the shape of bullion or foreign coin. The importer considers whether a profit may not be acquired by shipping it to some foreign country. If he decides on retaining it, part of it is probably wrought up into plate or jewelry. If he sends it to the mint, some time must elapse before it can be converted into coin. After it is converted into coin, he may not choose to put it immediately into circulation. He may make it a part of his reserved stock, and wait for months, perhaps, for an opportunity for making advantageous purchases. If he can make no advantageous purchases at home, he sends the money abroad. Thus while there are powerful causes in operation throughout the commercial world, which make the demand and supply of silver and gold to vary in only an imperceptible degree, from year to year,

there are particular causes operating, which make the supply in all solid money countries, just equal to the effective demand, and thereby truly "to suit the wants of the community."

In such countries, when the spirit of enterprise is awakened by fair prospects of a profitable trade, no sudden plentifulness of money follows to convert the spirit of enterprise into a spirit of wild speculation.

If the enterprises prove unsuccessful, the evil is not aggravated by an artificial scarcity of money.

If wars, or other political operations, create a demand for specie, the pressure is only equal to the foreign demand—not fourfold, as with us.

If there is a rise abroad in the prices of the staples of a solid money country, no sudden increase of currency raises prices so high as to make the exportation a losing business.

Such are the advantages of an "*inflexible*" and "*non-elastic*" money.

CHAPTER XV.

Is Paper Money Cheaper than Specie?

The events of the last thirty years, have created a suspicion in most men's minds, that there is something not exactly right in our banking system. Indeed, the very head of the system, the President of the United States Bank, seems at times half a skeptic as to its utility. He acknowledges that it is attended with great danger; but then he says, "the substitution of credit for coin, enables the nation to make its exchanges with less coin, and of course saves the expense of that coin."

Mr. Gallatin, who is now President of the National Bank at New York, goes still farther. "The substitution of a paper currency for the precious metals, does not," he says, "appear to be attended with *any* other substantial advantage than cheapness."

Bank notes, it must be confessed, come *very cheap* to those who *issue* them. But to those who *receive* them, bank notes come as dear as gold and silver. The farmer must give as much of the product of his labor for a paper dollar as for a silver dollar.

It is alledged by some, that "bank notes increase the aggregate capital of the community, since they cause silver, which produces nothing, to be exchanged abroad for commodities useful in the arts, or for household consumption."

But it is not true that silver money produces nothing. It is as productive as any other labor-saving machine. Its uses in commerce are as great as those of the steam-engine in manufactures.

Neither is it true that the aggregate capital of the country is increased, when silver coin is displaced by bank notes. A mere exchange is made of one kind of capital for another. The precious metals are exported, and laces, wines, silks, satins, and ostrich feathers are received in return. A nation that carries its consumption of foreign luxuries so far as to leave itself without a suitable medium for domestic exchanges, may be compared to a mechanic who barters the tools of his trade for the enjoyments of the ale-house. *Money is the tool of all trades.*

But on the supposition most favorable to the friends of the banking system, what sum is gained by the nation by the substitution of paper for specie?

According to the calculation of Mr. Gallatin, the currency of the country consisted, on the 1st of January, 1830, of about ten millions of dollars in specie, in the hands of the people, of fifty-four millions of bank notes, and fifty-five millions of bank credits; making a total of one hundred and nine millions of bank medium, for the support of which the banks keep twenty-two millions of specie dead in their vaults.

Now, supposing bank medium to fall into disuse, these twenty-two millions of specie would be set free, and eighty-seven millions more would be required to bring up our currency to its present amount. What is this, when compared with the whole capital of the country, which is estimated by Mr. Lee, of Boston, at ten thousand millions of dollars, and by two other able economists, at twelve thousand millions. What is it, even when compared with the aggregate of incomes, which, according to Mr. Niles and Mr. E. Everett, is one thousand millions a year?

It should be recollected, that on the supposition of something being gained by the nation, by the use of paper money, the saving is once for all, and the annual gain is no more than the interest on the amount of medium. Now, the interest on eighty-seven millions, at six per cent., divided among the individuals who constitute our nation, is about forty cents apiece!

Is it wise, for so trifling a gain, to derange all our moneyed operations?

But if the inquiry be pushed further, it will be found that nothing is gained by the nation, (we do not say that nothing is gained by certain persons,) even on the supposition most favorable to the banks.

For a specie medium, but one mint would be necessary. To maintain a paper medium, we have from three to four hundred paper mints. The expenses of these mints press heavily on the people. The expenses of the Bank of the United States and its offices, are about five hundred thousand dollars a year.

According to Adam Smith, three millions of people, in the countries now forming the United States, were governed, and well governed, before the revolution, at an expense not exceeding three hundred and fifty thousand dollars a year.

The labors of the American people for a few weeks would purchase them a sufficiency of metallic medium, which would not require renewal for a hundred years. To support our paper medium, we are frequently obliged to purchase specie abroad, at a disadvantage. As there is no profit on paper money, except by keeping down the amount of specie in the vaults of the banks, the precious metals are frequently exported and sold at a loss.

The cheapness or dearness of an instrument, is to be estimated by the annual expense to which it puts us, in addition to its original cost, and by the manner in which it serves the uses intended. Bank medium is a machine which requires continual watching, which is always getting out of order, which requires frequent and expensive repairs, and which, after all, performs its work badly.

Men have passed from one extreme to the other. A hundred years ago, the chief feature in the commercial policy of nations, was the amassing of gold and silver, as a kind of wealth *par excellence*. Now, he is the wisest statesman, who is most successful in driving the precious metals from a country.

In their attempts "to economize specie," as they call their absurd and nefarious policy, they seem to be forgetful of economy in every thing else. Correct measures of value, it must be confessed, cost something. So, likewise, do correct measures of weight and of capacity. A metallic medium cannot be obtained without paying for it; but whatever it may cost, it is well worth its cost. Our roads and our canals, which are, like money, instruments for facilitating exchanges, cost immense sums. So, also, do our ships, and our manufacturing machinery.

Among labor-saving machines, gold and silver coin are entitled to the first place. In no way can a nation invest a portion of its capital more profitably, than in a sound circulating medium. It will return its original cost a hundred fold. Without such a medium, it is impossible for contracts to be complied with in equity, or for productive industry to exert all its energies.

CHAPTER XVI.

Of the Tax paid by the People to the Banks.

The thirty-one chartered banks of Pennsylvania had, in November, 1829, according to the statement of Mr. Gallatin, a nominal capital of twelve million and thirty-two thousand dollars. One million three hundred and ten thousand dollars of this amount were invested in real estate, and four million six hundred and twenty thousand in stocks of various descriptions, leaving the banks six million one hundred and two thousand to employ in discounting notes.* From the five million nine hundred and thirty thousand dollars, invested in stocks and real estate, it is to be presumed they derive as much advantage as private persons derive from similar investments. With the remaining six million one hundred and two thousand, they discount notes to the amount of seventeen million five hundred and twenty-six thousand. On this amount they draw interest at 6 4-10 per cent., for the usage of the banks is to charge sixty-four days' interest on loans for sixty-three days, and to take the interest in advance.

The revenue which private capitalists would derive from lending six million one hundred and two thousand dollars at the legal rate of six per cent., would be three hundred and sixty-six thousand one hundred and twenty dollars per annum. The revenue which the banks derive from the management of this amount, is one million one hundred and twenty-one thousand six hundred and sixty-four dollars.

* Some corrections might be made in Mr. Gallatin's estimates, but we take them as we find them, they being accurate enough for the illustration of principles, which is our only object in introducing them. Algebraic signs would, if they were generally understood, serve the purposes of illustration as well as the most correct estimates.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, October 27, 1841. No. 9.

This Journal of Banking, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
Philadelphia—By the Editor, No. 302 Race street.
Mr. G. B. Zieber, *News-vender*, corner of Third and Dock.
Mr. J. R. Colon, *News-vender*, 203½ Chesnut street.

New York—Mr. W. Hayward, *Stationer*, 89 Division st.

Baltimore—Mr. W. Taylor, *News-vender*, North street.

Boston—W. H. S. Jordan.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

PAPER CURRENCY IN TARTARY.

M. Polo, a Venitian, who travelled in the interior of Asia, in 1266, gives the following account of the paper currency of Tartary.

"In the city of Kanhalu, is the mint of the grand Khan, who may truly be said to possess the secret of the alchymist, as he has the art of producing money by the following process:—He causes the bark to be stripped from those mulberry-trees, the leaves of which are used for feeding silk-worms, and takes from it that thin inner rind which lies between the coarser bark and the wood of the tree. This being steeped and afterwards pounded in a mortar, until reduced to a pulp, is made into paper, resembling in substance that which is manufactured from cotton, but quite black. When ready for use, he has it cut into pieces of money of different sizes, nearly square, but somewhat longer than they are wide. Of these the smallest pass for a *denier tournois;* the next in size, for a Venitian silver groat; others, for two, five, and ten groats; others, for one, two, three, and as far as ten besants of gold. The coinage of this paper money is authenticated with as much form and ceremony as if it were actually of pure gold or silver, for to *such a note a number of officers, specially appointed, not only subscribe their names,* but affix their signet also; and when this has been regularly done by the whole of them, the principal officer, deputed by his majesty, having dipped into vermillion the royal seal, committed to his custody, stamps with it the piece of paper, so that the form of the seal, tinged with the vermillion, remains impressed upon it; by which it receives full authenticity as current money, *and the act of counterfeiting it is punished as a capital offence.* When thus coined in large quantities, this paper currency is circulated in every part of his majesty's dominions; nor dare any person, at the peril of his life, refuse it in payment. All his subjects receive it without hesitation, because, wherever their business may call them, they can dispose of it again in the purchase of merchandize they may have occasion for—such as pearls, jewels, gold, or silver. With it, in short, every article may be procured."

The only material difference, says an English writer, between the paper systems of Tartary and England, appears to be in the process of making paper. In Tartary, the Khan causes the trees to be stripped of their bark, and converts the rind into paper; in England, it is the custom of the Chancellor of the Exchequer to strip the people, and the banks turn their rags into notes.

PAPER MONEY OF SPAIN.

The veracious Spanish historian, so often quoted by Irving in his Conquest of Grenada, Fray Antonio Agapida, relates that the Count de Tendilla, while besieged by the Moors in the fortress of Alhama, was destitute of gold and silver wherewith to pay his soldiers, who began to murmur, seeing they had not the means of purchasing the necessaries from the people of the town. "In this dilemma," says the historian, "what does this most sagacious commander? He takes me a number of little morsels of paper, on which he inscribes various sums large and small, and signs me them with his own hand and name. These did he give to the soldiery in earnest of their pay. How, you will say, are soldiers to be paid with scraps of paper? Even so, I answer, and well paid too, as I will presently make manifest, for the good Count issued a proclamation, ordering the inhabitants to take these morsels of papers for the full amount thereon inscribed, threatening severe punishment to those who refused, and promising to redeem them at a future time with silver and gold. Thus by a subtle and most miraculous alchymy, did this Catholic cavalier turn worthless paper into precious gold, and make his late impoverished garrison abound in money." Irving adds, that "the Count de Tendilla, redeemed his promises like a royal knight, and this miracle, as it appeared in the eyes of Fray Antonio Agapida, is the first instance on record of paper money, which has since inundated the civilized world with unbounded opulence." This happened in 1484.

It is something of a question at this day, whe-

ther we ought to be obliged to the Count for his ingenious invention or not, as it is not always easy to turn these morsels of paper into ready coin.

CONSTITUTIONAL FISCAL AGENCY.

Against the fiscal system which was proposed by A Member of Congress, through *The Madisonian*, and copied by us into our seventh number, we have seen the following objections in the public prints, or heard them brought forward in private conversation.

1st. "The plan does not embrace a *credit currency*."—This is, in our view, one of its chief merits. Credit is an excellent thing in every form except that of *credit money*. Then it becomes highly pernicious.

2nd. "It will crush the banks."—This is always the cry when any thing is proposed that is likely to give stability to our money system. But it is not true that it would crush the banks. The Government certificates of specie in deposit in the Treasury offices, would be of as much avail to the banks as specie in their own vaults.

3rd. "The money deposited would be liable to be lent clandestinely, as was the money deposited in the old Bank of Amsterdam. Then taxation must be resorted to in order to make good the deficiency."

The answer to this, is, that the losses that the old Bank of Amsterdam sustained, were owing to its operations being carried on with *secrecy*, as are to the present day the operations of the Banks of Hamburg and Bremen. *Secrecy* is one of the principles of European polity: *publicity* of American. With an adequate system of inspection, it would be almost impossible that losses should occur through clandestine loans of the money.

4th. "The Treasury officers would issue certificates when there would be no money deposited with them." This is a fraud which might be easily perpetrated under a system of *individual agency*. But the system proposed by A Member of Congress is one of *joint responsibility*. At each office he proposes that there shall be *three* officers, whose duty it shall be to watch one another. The three must combine to effect a fraud of this kind, and the authorities at Washington must connive at it. The blank certificates of deposit, would be prepared at the Treasury at Washington, and the officers of the subordinate offices would be held as strictly accountable for these certificates, as they would for the money deposited with them.

5th. "The plan is unconstitutional." Then the Government has acted unconstitutionally in acting as trustee for the Smithsonian Institute, and as trustee for the funds belonging to the different Indian tribes. If the plan proposed by A Member of Congress should be adopted, the Government would be a mere trustee of the funds deposited in its offices, and the certificates would be mere evidences of its trusteeship.

6th. "The people are quite competent to the task of keeping their own money." Certainly. But it would be a great convenience to many of the people, to have a place wherein they could deposit their specie, with an assurance that it would neither be lent nor used; receiving a certificate with which they could draw their money out again, or, pay a debt due to Government in any part of the Union.

With all our objections to *credit money*, we have always thought there would be a great convenience in paper which would *represent* gold and silver actually in deposit. And with all our objections to incorporated paper money banks, we have always thought that *hard money* banks would be highly useful.

In such times as we have now, and such times as we are likely to have, certificates which would represent gold and silver actually in deposit, and which would be receivable every where in payment of public dues, would be productive of much advantage. The high rate of exchange which now prevails between different parts of the Union, is not solely owing to the banks having suspended payments. It is owing in part to confidence between man and man having been so shaken, that no one knows whom it is safe to trust. When the bankrupt law begins to operate, confidence will, in all probability, be still further shaken.

In all events, we should like to see a plan adopted, through which individuals having payments to make to Government, might be allowed to make these payments at points convenient both to Government and themselves. Where is the sense of compelling an emigrant who lands at Detroit or St. Louis, to carry his money with him to a land office some hundred miles in the interior, when that very money must be brought back to St. Louis or Detroit before it can be applied to the public service? Where even is the sense of compelling him to carry it beyond New York or Philadelphia? Why not suffer him to deposit his money in some public office in one of the Atlantic cities, and with the certificates pay for the land

he may purchase? For want of an arrangement of this kind, many emigrants are now exposed to great inconvenience. Some of them sew their gold in girdles, which they fasten round their bodies, under their clothes, and in this way travel between one and two thousand miles. In a late steamboat disaster on Lake Erie, about 180,000 dollars in specie, principally the property of emigrants, went to the bottom. Few of the bodies of the Swiss women passengers rose to the surface, owing to the quantity of specie that was sewed in their clothing.

We allude to this case, only as a strong evidence of the practice which prevails among emigrants, and of the great inconvenience to which they are subjected, from the want of some such arrangement as is proposed by A Member of Congress.

"UNITED STATES DEPOSIT AND EXCHANGE REGULATOR."

When the Reverend John Wesley and Father O'Leary were engaged in an amicable discussion of the tenets of their respective churches, Mr. Wesley objected to the doctrine of purgatory. "You may go further and fare worse," said Father O'Leary. So we say to those hard money men who are so very stiff-necked, that they are unwilling to sanction the use of paper, even though it may be the *representative* of gold and silver actually in deposit.

"You may go further and fare worse." President Tyler is not a paper money man; or, if he is, he is not what he used to be. But a majority of the present Congress are paper money men, as has been proved by their votes on more than one occasion. The President wishes to satisfy them, if he can, without compromising principles, and if paper which will be the *representative* of gold and silver actually in deposit, will give them satisfaction, by all means let them have it.

"We may go further and fare worse." A late number of *The Madisonian* contains a plan for an institution to be called "The United States Deposit and Exchange Regulator," which we regard as much worse. An outline of it follows:

1st. The *Exchange Regulator* to be at Washington, with branches wherever public or private convenience may require them.

2nd. The said Regulator and its branches to be provided with "ten or fifteen millions of paper for issue, in suitable sums, but of not less denomination than $20." "If it was ten times as much," says the author of the scheme, "used as I would have it, it could do no harm."

3rd. The said paper never to be paid out by any branch, but after said branch shall have paid out all the notes of specie paying banks which it may have received, and all its specie.

4th. It is to be "*obligatory* on all [the branches] whenever specie, or current bills of specie paying banks in the vicinity are tendered, and a draft on any other branch desired, to draw said draft, charging such premium as Congress shall affix; but this never to exceed the cost of transporting specie."

5th. Bills of exchange are to be purchased, but only for the purpose of settling balances between the branches, and then only when the premium on them is less than, or not more than the ordinary cost of transporting specie.

6th. In other cases, the balances between the branches to be settled by the transportation of specie.

Such, as we understand it, is the scheme—a scheme for a National Bank of a peculiar character. Unlike former National Banks, it is to be founded exclusively on the credit and resources of the Government; but like them it is to issue a *credit currency*. The projector proposes to begin with 10 or 15 millions, and sees no objection to increasing the amount to 150 millions. A credit currency it will be, indeed, for as the branches are not to begin to issue notes, till after their vaults and tills shall be exhausted of specie and the notes of specie paying banks, such notes cannot be said to rest on even a specie basis. They would have nothing but the credit of the United States to support them.

Hitherto, the Government has received bank notes in payment of public dues only. If this plan should be adopted, it must receive them to an extent sufficient to cover an immense amount of exchange transactions, whereby its risk of loss from bank failures and suspension of specie payments, would be greatly increased.

It seems to us that the whole scheme is founded on erroneous views of the functions of Government. The regulation of weights and measures is among the attributes of sovereignty; but not the regulation of the rates of exchange, or the prices of commodities. Let the weights and measures of a country, including therein its measures of value, be first properly adjusted, and free competition will fix the prices of bills of exchange and of all other commodities, better than can be done by any direct action of Government.

Where the banks pay specie, this "Exchange Regulator" is not wanted. Exchanges are there already reduced to the lowest possible rate. Thus, between New York and Boston, they vary from $\frac{1}{4}$ to $\frac{1}{8}$ per cent. Where the banks do *not* pay

specie, this "Exchange Regulator" will be of no use. The branches are to receive only specie, and the notes of specie paying banks. To obtain these, the people will have to sell the notes of the local banks at a discount, which, with the premium they would have to pay to the branches of the "Regulator," would bring exchanges, as measured in depreciated paper to as high a rate as at present.

Even in the region of suspended bank paper, bills of exchange can be purchased for *specie*, at a premium not exceeding the cost of transporting gold and silver to the place where the bills are payable. Sometimes they can be purchased for less. This point we cannot better elucidate than by an extract from the able speech which Mr. Shields, of Alabama, delivered in the House of Representatives on the 7th August last.

"The exchanges between any two points—as, for instance, between Mobile and New York—may be entirely *equal*, whilst the local currencies of the two places may be greatly *unequal* in value, and when exchanged one for the other, would exhibit that inequality in a striking manner, as do the local currencies most generally throughout the Union at this time. During the last winter, the notes of the Bank of Mobile, and of the Planters' and Merchants' Bank, (both specie paying banks,) at Mobile, bought checks and bills of exchange on New York at par, or within a fraction of par; whilst, at the same time, the notes of a non-specie paying bank in another street in the same city, (to-wit, the branch bank at Mobile,) with a capital paid in of four million dollars, could not buy a check or bill on New York short of a premium of ten or twelve per cent."

This short paragraph at once reveals the secret of the derangement of exchanges, and the true remedy. The cause of the derangement is to be found in the suspension of specie payments by the banks. The remedy is to be found in a resumption of specie payments. For this, we must look to the State Governments. The United States Government is herein nearly powerless.

"THE MACON SPECIFIC."

Of this we have given an account in some previous numbers of our Journal. It consists simply in fixing a specie price on goods, and then, if depreciated notes are offered in payment, receiving them at the discount they bear in the market. It is said to work wonders wherever it is adopted.

RESUMPTION OF SPECIE PAYMENTS.

Throughout the country there appears to be a strong wish for the speedy resumption of specie payments.

The easiest way of effecting this object, would probably be by *making it the interest* of the banks to resume. Deprive them of the power of making dividends, and of making loans to any of their officers or stockholders, while in a state of suspension, and all such of them as are solvent, will, without any unreasonable delay, find ways and means of fulfilling their obligations to the public.

WINDING UP OF BANKS.

Many of the present banking institutions exist only for the benefit of the officers. If the stockholders consulted their own interest, they would wind them up immediately. On this subject, we extract the following remarks from the Charleston (S. C.) Patriot.

"The suggestion has been made in some of the Northern Journals, that the stockholders of the banks throughout the country, which are protracting a sickly existence, owe it as well to themselves as to the public to wind up the affairs of these institutions, and divide their capitals, before they become further reduced. The effort to prolong their fate of dissolution, which is inevitable with many of them, only obstructs the restoration of a healthy condition in the monetary affairs of the country. Those whose influence and income depend on the continuance of bank charters, cling to them, of course, with a tenacity proportionate to their certain loss of both, if they were compelled to wind up these concerns. But the shareholders should throw off that fatal apathy which has involved so many of them in ruin. It was owing to this supineness that misfortune has fallen so heavily on the stockholders of the late United States Bank.

If the managers of that establishment had been called to account when it was discovered they were engaged in mercantile speculations with the funds of the institution, thousands would have been saved, and much misery avoided. But blinded by a delusive personal confidence, they did, what very many of the stockholders of the local banks are now doing, where these establishments are in a state of suspension, allow what is not permitted in any other large pecuniary trusts, the trusteeship to go on, from day to day, and month to month, without scrutiny or examination. Until there is sufficient moral courage in the shareholders to exert their power, losses will continue to increase, under the immunity the conductors of banks enjoy from investigation, until the whole banking system falls into undistinguishable ruin.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. V.

Tuesday.—Could not help laughing, in spite of myself, at the humor of a wag of a Loco-Foco from the country. I had bargained with him for five tons of hay to feed my carriage horses, and offered him bank notes in payment. Loco-Foco very deliberately took from his pocket book a note promising to pay me five tons of hay, and ordered his wagoner to drive off. "Now," said he, "we are quits. You have given me *promises* to pay silver, and I have given you *a promise* to pay hay. Nothing can be fairer than *promise* against *promise*." The rascal's drollery diverted me so much that I paid him at once in gold.

That old father to whom I sometime ago sold some of the best stocks in the market, came to me in great distress, complaining that the stocks were utterly worthless, and that he was now left not only without property, but with a load of debts which he should never be able to discharge. Cheered him up as well as I could. Told him that this country was a find field for enterprise, and that so far from repining, he ought to bless his stars, that in his long life of seventy-five years he had never failed before. What other business man, I asked him, in the whole circle of his acquaintance, could say as much? I myself had failed not less than three times, but on no one of those occasions did I become disheartened. It was true, indeed, that I always made such previous arrangements that my family were sensible of no change in their mode of living. I was duly impressed with the truth that "he who provideth not for his family, hath denied the faith, and is worse than an infidel." Not willing to sink myself to a level with the wretched, infidel Loco-Focos, I always, before stopping payment, set my house in order, by securing to my wife, or infant daughter, a coach and country-seat, and such other little comforts and conveniences, as the usages of good society render indispensable. I did not, however, mention this to old father, for fear he should think I was reflecting on his want of Christian prudence in not having done likewise. We cannot be too delicate in our treatment of the feelings of people who are in distress.

Wednesday.—Looking through a file of the National Intelligencer, I was forcibly struck with the following remarks by a distinguished Senator from Kentucky, delivered by him on the twenty-first of June, 1838:

"He had denounced a military aspirant, and denounced him in language which he was proud to have used, when he had exclaimed, send us war, pestilence, and famine, rather than curse us with a military rule: and if he could then have foreseen that this execrable measure, the Sub-Treasury, would have been introduced by the influence which he then deprecated, he would then have denounced it as he did now, as not at all preferable to war, pestilence, and famine, and as not inferior to any one of them in its malign effects on the welfare and prosperity of the country."

Exactly my opinion. Give us war rather than the Sub-Treasury bill! Neither the Senator nor myself will have any thing to do with the fighting. That must all be done, as in the last war, and in the war of the Revolution, chiefly by the laboring classes: provided enough of them are left to do the hard work, I care not how many of them are killed. Besides this, a war would entail on the country a permanent national debt; and every body knows that a national debt is a national blessing. Funding and banking being twin brothers, only give us a sufficient national debt, and our paper money institutions will live forever. With a large and permanent national debt, we might reduce the working-men of America into as complete subjection as their brethren in England.

Give us pestilence rather than the Sub-Treasury! Yes, give us pestilence! In that event the Senator and myself would not be as far from personal danger as in the event of war. Yet we might venture on the risk. Pestilence generally spends its violence in the hovels of the poor. It might be almost as effective as war in ridding the country of those wretched vermin, the Loco-Focos.

Give us famine rather than the Sub-Treasury! Yes, give us famine! Let what will come, the Senator and I will have plenty to eat. As to the Loco-Focos, they are pretty well used to starving already, or, if they are not, it is quite time they should be.

Give us war, pestilence, and famine altogether, rather than deprive the banks and speculators of the use of the public money. A war is, above all, specially desirable. Smart men never do so well as in time of war. What with army and navy contracts, and contracts for loans, and fluctuations of currency, and irregularity in the supply of commodities, fortunes can be made with rapidity in times of public hostility, and the sooner such times commence the better for all the Grab-alls and Gripe-alls and Grasp-alls in the whole country.

Thursday.—Heard to-day of the defeat of the Sub-Treasury bill. Glorious, glorious news indeed! Not that I concur in opinion with those who think that the passage of the bill would destroy the banks. We should still be able to levy a tax on the whole commerce of the country; and if the Loco-Foco absurdity of compelling the banks to pay specie is to be persisted in, why, perhaps, a Constitutional Treasury would only act as a balance-wheel in the machine. But then it would curtail our stock-jobbing and land speculations. Here is the rub. But even this is not the grand evil of the Sub-Treasury system. My grand objection to it is, that it would *increase executive patronage.* I know not who it was that first discovered that giving the President, in concurrence with the Senate, the power to appoint some four or five Receiver Generals, and they, in their turn, to appoint some eight or ten clerks, would be conferring on the Executive more patronage than he would have, if he, or the Secretary of the Treasury under him, should have the selecting of some twenty-five banks, and

thereby the power of directly influencing their numerous officers, and indirectly influencing their thousands of stockholders and debtors. I say I know not who it was first made this profound discovery. But, certainly, he must be a man of uncommon powers of mind. No one can fail to be convinced of this who reflects on the fact, that under the proposed system, the Treasury officers would be punishable as criminals if they lent or used a single dollar of the public money; and that the President himself could not touch even the amount of his own salary except on warrant, duly signed, countersigned, and registered, according to law. Now, that such a system would increase executive patronage, is truly a wonderful discovery. To common minds it would seem rather like an increase of Executive *responsibility*. But there are, fortunately, some uncommon minds in the world, and to one of these we must be indebted for this discovery in political science, as great as the greatest of Franklin's in natural philosophy. No doubt we shall see in time to whom this great honor is due; or, as they say in French, *nous verrons*.

Judge Johnson, of West-Quoddy Head, came in, but instead of crying "*Laus Deo*" or "*Victoria*," he shook his head gravely. As a man's shaking his head is a sure indication that there is something in it, I resolved to pump it out, and at length I succeeded. The Judge doubted if the defeat of the Sub-Treasury bill was so great a victory after all. Banks ought to cease to be political machines and become commercial institutions. As such they would be useful to the community. As at present constituted and conducted, all the advantages derived from them accrued to a few. Those few were acting very impoliticly in keeping open the Sub-Treasury question. They ought to have suffered the bill to pass without debate. By the clamor they had raised, they were provoking inquiry into the general characteristics of the banking system, which was precisely what the Loco-Focos desired.

Told Judge Johnson that I feared we had made a blunder, but it was too late to correct it now.

Friday.—Like well enough a victory over the Government, but do not like one of the consequences that victory brings with it. There is now no longer any excuse for our not resuming specie payments, and with the general resumption of specie payments, away go our great profits on exchanges, and may be our cotton monopoly will go with them. By an understanding with certain corporations in the south-west, our bank and certain other banks in this quarter, have been doing a very snug business. Buying up Mississippi notes at a discount of thirty or forty per cent., then buying cotton with these notes, thus creating a fund for foreign exchanges, and having domestic exchanges completely in our power, was truly as pretty a mode of operating as reasonable men could desire. The profits were certainly not less than thirty per cent. per annum on the amount of capital invested. But our odious Government and the stupid people combined, are putting an end to all this. And this too, after our paper money editors, and paper money orators, and paper money collegians have proved as clear as day, that "the less gold and silver there is in a country, the richer that country is"—"that when the banks suspend payment, their notes are actually more valuable than they were before, and only *appear* to fall in value,"—with other truths equally recondite and equally well established.

Saturday.—Banking and politics have, somehow, got so strangely commingled, that both for pleasure and profit, I spend my leisure in perusing the newspapers. To-day I read, and was much pleased with, an argument from an illustrious paper money man of Virginia, going to prove that an attempt to substitute metallic for paper money in the United States, would give European powers a just cause of war against this country. The Loco-Focos say they cannot see how this could be, inasmuch as we should honestly pay in cotton or other produce for such quantities of the precious metals as we should take from Europe. They add, also, that the whole amount of gold and silver in the world is, according to the estimates of the most able authors, equal in value to not less than ten thousand millions of dollars, and that as we should require only eighty or one hundred millions, in addition to our present stock, to enable us to dispense with paper money, they cannot see how we should give offence to foreign powers by adopting this policy. And, they subjoin, as it is by *gradual* means that we propose to introduce solid money, if European powers object to letting us have it, we can attain our end by detaining such amounts of gold and silver as will, in the natural course of trade, flow into our country from South America. To all this, I have one short reply. *The Loco-Focos are fools.* None are wise but the Virginia paper money man and men of his way of thinking. An attempt to substitute metallic for paper money in this country, would undoubtedly give European powers just cause of war against us, though, for reasons already stated, I do not think war is to be deprecated.

I know not to which to give the preference, to the illustrious paper money man from Virginia, or his equally illustrious brother from South Carolina, who has proved that the addition of five millions to our metallic medium which the Sub-Treasury system would make necessary, would sink the price of cotton so low in Europe, that the Southern planters would lose incalculable sums.

Indeed, I must say that in profundity and comprehensiveness, closeness of reasoning, and force of argument, the advocates of paper money in the United States, excel the writers and speakers of every other age, and of every other country. McThawckem agrees with me perfectly in this. He says that the English language is utterly inadequate to the expression of the thoughts of our paper money men. Some of them might be very prettily rendered into Latin. But others of them are so completely transcendental, that nothing short of Greek is adequate to their just expression.

PAPER MONEY IN FRANCE.

Nations are much affected by each other's currency; especially such as the United States, Great Britain, France, and Spain, having great international commerce. The money of one may be solid, while that of another is evanescent; yet they affect each other's circulation. The monetary state of this Union cannot be properly appreciated without sketches of its foreign relations, and the condition of circulation in the other countries with which it exchanges. The currency of the United States is affected by that of some other countries, as their commerce, manufactures and agriculture are.

Want of money, caused by bad Government, occasioned the financial distress which engendered the stupendous revolution of France; and it is incredible how inconsiderable the deficit is said by the royalists to have been which provoked gigantic Republicanism. In the third year of its delirium, when the whole kingdom was cowed by a small minority of demagogues, the convulsed Government threw itself on the intoxicating relief of paper money, which soon brought the people to ruin and distraction. More than half the real estate of France, palaces, parks, forests, monasteries, plantations, every thing of substantial property, was confiscated from the imputed mortmain of religious orders, princes, nobles and emigrants, and set up at public sales, like our wild lands in the United States. Forty-two milliards of assignats, land scrip, equal to eight hundred and forty millions of dollars, were issued and abroad in desperate depreciation. The precious metals vanished. Government money fell to one thousand, in paper secured by its pledge and that of the best real estate, for one in gold or silver. Copper was worth more than public credit thus apparently well secured.

American continental money, and forcible requisitions at fixed prices by martial law, savored offensively enough of Revolutionary violence. But the paper money tyranny of the French Revolution, as described by Thiers's History, was a great exacerbation of American despair. It was suggested at Paris that the lazy rich contributed nothing to support the war. Living in luxurious felicity, they left the poor to shed their blood for the country, and ought to be compelled to contribute, at least, money to the common defence. All who possessed an income of more than fifty thousand francs a year, (ten thousand dollars,) might keep thirty thousand, but must subscribe the rest to the public service. The property, real and personal, of such as did not comply with this patriotic contribution, should be seized, and sold at the requisition of the Revolutionary Committees, and themselves be regarded as suspicious persons. The shop-keepers, clerks, attorneys, grocers, and others, opposing this scheme, were denounced by Marat as aristocrats, conspiring with the rich, who ought to be arrested, and reduced to the condition of *sans culottes*, stripped of wherewithal to cover their posteriors. Chaumette, the common serjeant, suggested that an assembly should be formed, consisting of the Presidents of the Revolutionary Clubs, to meet every Sunday and Thursday, to take order on the dangers of the Commonwealth, and that all good citizens should be invited to join them. Finally, Danton, always fertile of expedients on critical occasions, proposed that all these *sans culottes*, members of the universal anarchy, should be paid a daily allowance for the time devoted to public service.

The whole of the evils afflicting the Republic could not be known, by contemplating only the five or six fields of battle on which human blood was flowing. The interior offered a spectacle quite as deplorable. Grain was always scarce and dear. People were fighting at the baker's doors for a morsel of bread. They disputed in vain with the shop-keepers to make them take *assignats* for articles of the first necessity. Suffering was at its height. The people complained of forestallers who withheld provisions, of stock-jobbers who enhanced their price and discredited *assignats* by their dealing. The Government, as wretched as the people, had also nothing but *assignats* to exist upon, which it was necessary to give in three or four times the quantity to pay the same services, and which it was afraid to issue, for fear of reducing them still lower. There was no knowing, therefore, how to keep either Government or people agoing any longer.

Still, general production had not decreased. France was not wanting in grain, nor common products, nor manufactured articles; but their equal and peaceable distribution was become impossible by the effects of paper money. The Revolution, which, while abolishing monarchy, desired nevertheless to pay its debts; which, in destroying the venality of offices, had engaged to reimburse the value of them; which, in defending the new order of things against conspired Europe, was obliged to bear the expenses of a universal war—had the national property taken from the clergy and the emigrants, with which to make head against all demands. In order to put in circulation the value of this property, it had imagined *assignats*, which were the representations of it, and which by means of purchases were to return to the treasury, and be burnt. But as the success of the Revolution, and the validity of these sales were doubted, the property was not bought. The *assignats* remained in circulation, like a bill of exchange not accepted, depreciated by doubt and over issue.

Specie alone continued always the real measure of value, and nothing injures disputed money like the rivalry of money which is sure and incontestable. The one is withheld and refused, while the other is offered in abundance, and discredited by being offered. Such was the fate of *assignats* compared with specie. The Revolution, condemned to violent measures, could not stand still. It had put in forced circulation the anticipated value of the national property. The convention punished with six years of close confinement, whoever sold specie, that is, exchanged a certain quantity of silver or gold against a greater nominal quantity of assignats. The same punishment was inflicted on whoever bargained for a different price for his goods, according as payments should

be made in *assignats*, or in specie. These means did not prevent such difference increasing rapidly. In June a metal franc was worth three francs in assignats, and in August, two months afterwards, a silver franc was worth six francs in assignats. In this state of things, traders refused to give their goods for the same price as before, because the money they were offered had but a fifth or sixth of its former value. They shut them up, therefore, and refused them to purchasers. Without doubt, this decrease in value would have been an inconvenience of no account to the assignats, if every one receiving them for only what they were worth, had taken and given them at the same rate. In that case they might always have performed the functions of the sign in exchanges, and served for circulation like any other money. But capitalists, who lived on their income, public creditors who received either an annual rent or official emoluments, were obliged to take paper at its nominal value. All debtors were anxious for acquittance, and creditors, obliged to take a fictitious value, got but the fourth, the fifth, or the sixth of their capital. Finally, working people, always constrained to proffer their services, to give them to whoever would take them, unable to act in concert, so as to double or treble their pay as assignats fell in those proportions, received but part of what was necessary for them to get objects of need in exchange. The capitalists, half ruined, were discontented and taciturn; but the furious people called these traders, who would not sell at the common price, forestallers, and required that forestallers should be sent to the guillotin.

This fatal condition was the result of the creation of assignats, as assignats were brought about by the necessity of paying old debts, office holders, and a ruinous war; and for the same reason, the maximum was the result of assignats. It would have been of little importance to render this money compulsory, if the dealer, by raising his prices, could avoid the necessity of receiving it. It was necessary to fix a forced price of goods, as well as of money. As soon as the law said paper is worth six francs, it had to say such goods are worth only six francs, for otherwise, the dealers, by raising them to twelve, would escape the exchange. It was necessary, therefore, in spite of excellent reasons drawn from ordinary economy, to fix a maximum for grain. The people's greatest suffering was want of bread. There was no want of corn; but the farmers, who would not face the uproar of the market, nor part with corn at the rate of assignats, concealed themselves with their produce. The little grain which appeared was quickly carried off by the town corporations, or by individuals induced by fear to make provision of it. Dearth was felt more in Paris than any other city of France, because the supply of that immense city was more difficult, the markets more tumultuous, and the farmers' fears greater. The convention could not help making a decree, by which all farmers or dealers in grain were obliged to declare the quantity of corn they possessed, to thresh what was in sheaf, to bring it to market, and exclusively to market, and to sell it at a mean price, fixed by each town corporation, according to prior prices. No one was to buy more than a month's supply. Such as bought at a price above the maximum were punished with confiscation and penalties. Domiciliary visits were established to ascertain facts; moreover, a report of all the declarations was to be sent by the municipalities to the Minister of the Interior, from which to make a general statistical statement of the food of the whole country. The corporation of Paris, superadding its ordinances to the decrees of the convention, had besides regulated the distribution of bread at the bakeries. No one could go there without a card of surety delivered by the Revolutionary Committees, on which was inscribed the quantity of bread to be asked for, and that proportioned to the number of individuals in each family. Even the manner of *tailing* each other at the bakers' doors was regulated. A rope was fastened to the door, which each one laid hold of, so as not to lose his place, and to prevent confusion. But mischievous women often cut the rope—frightful tumults ensued and it required armed force to restore order. Thus we perceive to what immense troubles a Government is condemned, and into what vexatious measures it is drawn, whenever obliged to regulate every thing. In such a condition, each requirement begets another. Forcing the circulation of assignats led to forcing the exchanges, to forcing prices, to forcing even the quantity, hour, and mode of purchases; the last resulted from the first, and the first was as inevitable as the Revolution itself.

The dearness of food, which brought about the maximum, extended to every thing of the first necessity. Meat, vegetables, fruit, groceries, light, fuel, drinks, clothing, shoe-leather, every thing grew dear as assignats depreciated; and the people continually persisted in discovering more forestallers, where there were only dealers refusing worthless money. By Marat's advice they pillaged the grocers; and they pillaged the soap-boats which arrived at Paris by the Seine. The severest measures were demanded against traders. A priest stirred up a mob of priests, in order to get an article inserted in the Constitution against forestallers. There was great indignation against stock-jobbers, who were said to make goods dear by speculating in assignats, gold, silver, and foreign paper. Popular imagination created monsters everywhere, and ferocious enemies, while there were none but greedy cheats, taking advantage of the distress, but not producing it, and certainly without power to produce it.

[To be continued.]

In an appendix to his speech on the Fiscal Bank Bill, delivered on the 5th of August last, the Hon. C. J. Ingersoll, of Philadelphia county, has embodied a vast amount of useful information respecting the monetary system of England, France, and the United States. From it we extract an account of the assignats, or French revolutionary paper money.

BANK FAILURES.

"We have," says the Chilicothe Advertiser, "received information that the New Bank of Circleville has followed in the footsteps of the Gallipolis Bank and the German Bank of Wooster, and that it now refuses to give even the ragged notes of other banks in payment of its own paper."

"We understand," says the Ohio Sun, "that the Newtown Library Bank has exploded." This is, we believe, what is otherwise known as the Bank of Hamilton County, and the capital of which has been described as consisting of some old books and pamphlets.

BANK DEFAULTS.

The failure of the Commercial Bank of New York was mentioned in our last. A day or two afterwards, it was discovered that Mr. Redfield, the cashier, was a defaulter in the amount of $56,000. "No man," says the Journal of Commerce, in announcing the event, "would have been less suspected of standing in such a position than Mr. R."

Some of the papers state, that his extravagant style of living, led him to commit this breach of trust: but, according to the following extract from the Journal of Commerce, dabbling in stocks was the cause of his ruin.

"The dishonor of Mr. Redfield is the subject of general conversation in the monied circles, and excites various feelings of regret and condemnation. He is quite an accomplished man in business. His father is a respectable fur dealer in Water street; and his father-in-law a very respectable gentleman of property, formerly of the Seventh Ward, but now of Worcester county. He was a member and we believe an officer, of the Church in Market street, of which the Rev. Dr. Ferris is pastor. Yet he has been for four years engaged in making fraudulent appropriations of the money of the Bank, and has every six months sworn to the accounts of the bank as rendered to the State, though he knew that the accounts were false, by means of his own depredations. Men always have some way of settling such things with their conscience, and we are told that Mr. R. says, the statements to which he swore were true transcripts of the accounts of the Bank, as they stood upon the books, and that, therefore, his oath was not false. The Bank Commissioners, however, entertained a different opinion, as we understand, and thought it their duty to cause a complaint to be entered for perjury.

"The defalcation was known to the commissioner who examined into the affairs of the Bank some ten days ago. On the disclosure being made, Mr. Redfield set himself to make security to the Bank, hoping that if he did so, the matter would go no farther. For this purpose he procured the notes of one gentleman for $10,000; of another for $12,000, and of a third for $14,000, making $36,000 in all, which, with the bond for $20,000, signed by his father-in-law and another friend, that he had given at his entrance upon the office of cashier, covered the whole defalcation. These large notes he was able to obtain of his friends by only saying that he was in need of them, without going into the details of his necessity, so great was the confidence placed in his character.

"He repaired to the house of his father-in-law on Friday night for the purpose of completing the matter of security, but he had said nothing of his errand, when, on Sunday morning, one of his friends in the city, perceiving the criminal character which the affair was taking, sent him word of his danger, and he immediately told his father-in-law that he was in trouble, and left abruptly. Of course he did not go in the steamer from Boston that afternoon, for it was impossible. Mr. Redfield owned two or three houses in the city, though they are probably mortgaged for their value. He said he had lost the whole amount of his defalcation by dealing in stocks. His style of living was always within his salary. He kept a horse and wagon of little value, which he purchased at the recommendation of his physician. The notes which he procured from his friends for $36,000 are in possession of the Bank, but whether they possess any legal validity remains to be seen.

"A bond given by the directors of the Commercial Bank to the Bank Commissioners, has been mentioned in several of the papers. The last dividend was declared in violation of the well understood opinions of the Commissioners. It was advertised in the newspapers before the Commissioners had any suspicion that, after what had passed, the Directors would think of declaring another dividend. The Commissioners expostulated with the Directors for what they had done, and well nigh came to the conclusion to prevent the dividend from being paid. But the Directors insisted that they were able to pay, that the stocks were sound, and that the Bank had a surplus, notwithstanding all its losses, and the fact also that $160,000 of its capital had been used to buy its own stock. The dividend had been advertised, and it was a bad business to countermand it. The Commissioners therefore took the bond of the Directors to the amount of the dividend for the protection of the safety fund, and allowed the dividend to be paid. If the Bank has assets enough to meet its debts, this bond will of course not be resorted to."

The next gentlemen on our list, are Mr. E. R. Biddle, the President, and Mr. E. Lord, the Vice President of the Morris Canal and Banking Company, at Jersey City. Their story is thus told by the writer of the money articles of the New York Herald—

"The affairs of the Morris Canal and Banking Company have for some time been under the investigation of a committee appointed for that purpose, composed of Messrs. G. W. Fisk, Kenny, of Newark, and James B. Murray. The progress of the investigation developes, as we anticipated it would, many curious facts in relation to the connection between that institution and the Biddle family. In 1837, when the Morris Canal Company was newly organized under the Presidentship of Mr. McLane, E. R. Biddle became a director of the class whose time was to expire in

1842. In the progress of events, and as the Morris Canal became more intimately connected with the United States Bank in its stock transactions, Mr. E. R. Biddle became President of the institution, and Edwin Lord, brother of Eleazor Lord, President of the Erie Railroad, was Vice President. Messrs. Biddle and Lord, about the same time, became interested in some iron works in Danville and Wilkesbarre, Pennsylvania. In the former place they erected three furnaces for the manufacture of pig iron, and at the latter a rolling mill. These movements promised to be lucrative, from the method of making iron by the use of anthracite coal, in relation to which a good deal of excitement was at that time felt, and Nicholas Biddle, Esq. addressed several public meetings on the subject, setting forth its great advantages in a pecuniary and political point of view. Mr. E. R. Biddle, being then without property, on his assumption of the duties of President, moved to this city, took a house in Waverly Place, at a rent of $1200, which was furnished at an expense of $8000. To carry on the iron works, the next step was to borrow of the Morris Canal Company $180,000, for which bonds were given payable in iron. This sum furnished the capital with which the iron speculation was conducted, for the profit of Messrs. Biddle and Lord on the funds of the company over which they presided as officers.—The bonds of Biddle were given to the State of Michigan as part security for the balance of the $5,000,000 taken by the Morris Canal and made over to the U. S. Bank. These facts appearing, as the investigation progressed, the direction wrote to Messrs. Biddle and Lord, requesting them to resign. Whereat those gentlemen were highly indignant, denied the legality of the proceedings and refused to vacate. Nicholas Biddle, Esq. then came to this city a short time since, to remonstrate, and to endeavor to get up a counter investigating committee, but was unsuccessful. On Friday last the Directors had a meeting, and by a vote turned out both Mr. Biddle and Mr. Lord. On the same day Mr. Biddle's furniture, at No. 20 Washington Square, Waverly Place, was partly sold at auction. Most of the best articles were bought by R. S. Dyson. The remainder was packed up, and it is said Mr. Biddle will remove to St. Louis, where he has a large amount of real estate, or may go to Danville, to enjoy the iron works built up by $180,000 of the funds of the creditors of the Morris Canal."

The Springfield (Illinois) Register, gives the following particulars of the default in the State Bank in that place, to which we alluded in the last number of the Journal.

"It appears that Cornwell had in charge, as clerk, the *Real Estate* account of the Bank, which is kept in a separate book. The *Real Estate* fund consists of money loaned for five years, on mortgage, the borrower paying interest at 12 per centum per annum, half yearly. Cornwell kept what is called a *tickler;* in which he was to enter, during the day, the sums paid for interest. When the Bank closed each day, these sums were added up at the foot of the page, and the amount reported to the teller, on whose book it was also entered. Cornwell, it appears, was in the habit occasionally of fobbing the amount which some *one* person would pay in, leave it off the *tickler* for the time being, by which means his *tickler* agreed with the books of the teller to a cent. Afterwards, he was in the habit of entering the amount on the tickler, without changing the sum total at the foot of the page.

"By this means, it would be next to impossible to discover the fraud, unless by some accident the pages of the *tickler* should be afterwards examined. This was fortunately the case. Mr. Campbell, the teller, happened a short time ago to have the tickler open before him on the counter, and almost without thinking what he was about, he added up a page of it, and found it made a hundred or two dollars *more* than the sum total at the foot of the page. This excited his suspicion. He carried the tickler to the cashier, Mr. Ridgely. Both of them examined it closely; and to their utter surprise and horror, they found that a system of fraud had been practised by Cornwell for a year past, the whole extent of which is not yet discovered. One of the *ticklers* is missing, altogether. Mr. Hogan, the President, *pro. tem.* of the bank, and one of the private directors, was called in by the cashier. Cornwell was sent for by these gentlemen. He at first stoutly denied the charge; but finding the evidence too plain for denial, he confessed the crime, and immediately offered to secure the bank by giving up his house and lot, valued at $1600. It appears he was indebted to the Bank 650 dollars. This, added to the amount purloined, made the sum of 1300 dollars. The proposition, we learn, was accepted, and a deed was accordingly taken by the Bank for the house and lot. Cornwell was then dismissed from his clerkship.

"At this stage of the business, the fraud was not publicly known. From motives of charity, and a feeling of regret for the family and connections of Cornwell, who is a young married man, those privy to the transaction were willing to keep it secret. Their feelings weighed down their sense of what was due to public justice, and the safety of society, and Cornwell was permitted to go at large.

"The crime, however, could not in the nature of things remain long concealed. Mr. Hickox (one of the state directors) got at the bottom of the whole affair, and immediately caused Cornwell to be arrested and brought before a justice of the peace, where he was bound over to appear at court in the sum of eight hundred dollars—an amount entirely too small to ensure the appearance of the prisoner.

"We cannot let this occasion pass without an attempt to arrest the vicious practice which has now, on two occasions, prevailed with the officers of the bank, in attempting to conceal the robberies of the underlings. When Town robbed the branch at Jacksonville, Mr. Mather expressly stated in court that he felt such regret for the young man, that he was willing he should escape justice upon his giving up the property he had stolen; and now we have another example of the same kind. This is all wrong. In these times,

when crime is marching with a bold and unblushing front all over the land, examples of justice should be made as a warning to the rising generation. We will not say that their party feelings have operated with the officers of the Bank—we are willing to believe that false philanthrophy has governed them in their attempts to screen the guilty; yet this feeling may itself become a crime of the deepest magnitude against society, and the moral and political laws upon which it is founded."

Mr. Whiting, the young man who was accused of having done something wrong, while filling some station in the Bank of Gallipolis, Ohio, has been committed to prison. Bail was demanded of him in the sum of six thousand dollars, and this he was unable to give.

Brown, the clerk in the Herkimer Bank, who ran off with 70,000 dollars, has, with his two confederates, been sentenced to four years imprisonment.

Mr. Knapp, the defaulting cashier of the Mineral Point Bank, Wisconsin, has, it is said, arranged matters to the satisfaction of the trustees.

THE FOREIGN NEWS.

The steam packet Columbia, arrived at Boston, brings intelligence from London to the date of Oct. 4th.

The corn law question is to be passed over entirely till the next session of parliament, in February, 1842.

It is believed that it will be necessary to import sixteen million bushels of wheat to supply the people with food.

The Government has advertised for a loan of three millions sterling. Money has been in great demand at London, at 6 per cent.—a very high rate for that city.

Trade is in a very depressed state, and the sufferings of the operatives are in consequence very great.

The sales of cotton at Liverpool, during the week ending in Oct., amounted to 27,720 bales, 9760 New Orleans, 4¾ to 8; 5980 Mobile, &c., 4¾ to 7.

At Lisbon, in Portugal, a very serious failure had taken place; that of the Spanish house of Corpas, Garcia & Co. The bulk of the loss, nearly six hundred thousand dollars, will fall on the English cotton houses. N. B. *Portugal is a paper money country.*

A great failure, involving £70,000, has occurred at Huddersfield, and thrown a number of persons out of employment. Several more failures have occurred at Manchester.

The news of President Tyler's having vetoed two bank bills, and the consequent dissolution of his cabinet, produced a great sensation in England. The "John Bull," a Tory newspaper, says, "From the moment President Tyler took his line of policy on the bank question, and exhibited such Jackson like pertinacity in maintaining it, we foresaw the crash must come. President Tyler may be an honest man, but he is clearly ignorant of the state of feeling in his own country. There is no such thing as sterling honesty to be found from one extremity of the States to the other; and as the bank scheme was taken up for the simple purpose of affording fresh facilities for speculation, he may depend upon it that in spite of his resistance, it will be carried."

Some of these remarks are not very complimentary.

The London Morning Herald, in commenting on the news respecting the United States Bank, says,

"The final declaration of the insolvency of that mighty institution ought not to be passed over in silence. The directors, by the assignment of all its remaining property to trustees for the liquidation of its debts, have consummated its now irretrievable bankruptcy—a bankruptcy more prodigious, it may be said, than ever the world witnessed—for it is the bankruptcy of a magnificent establishment which started with a capital of thirty-five millions of dollars; and so total is the wreck that it may be doubted if a single cent of surplus property will remain, after the indispensable payment of debts, for division among the shareholders. The famous Mississippi Association of Law in France, or the South Sea bubble in this country, were not, on their final explosion, to be compared with this gigantic failure."

The Leipsic Gazette, under date of Vienna the 22d ult., states that the modifications lately introduced into the charter of the National Bank of that city, had for their object to limit the issue of paper money. The principal bankers disapproved of the measure, because formerly they received cash from the bank for bills at five per cent. discount, whilst they charged the merchants eight per cent. The bank shares had in consequence fallen.

A new bank is about to be established in Flanders. It is to make no loans to the Government, but the Government is to control the amount of its issues.

Advices from Canton have been received to a late date in May. At that time the British and Chinese were engaged in active hostilities. Some thousands of the Chinese have been killed. The British loss was small.

ACKNOWLEDGEMENTS.

We are indebted to the Hon. C. J. Ingersoll, for a copy of his speech on the Fiscal Bank Bill, and the valuable appendix thereunto annexed; to the Hon. Thos. W. Gilmer, of Virginia, for a copy of his letter to his constituents; and to a gentleman of Boston, for a copy of a pamphlet on the Banking System of Massachusetts, written by him in 1831, and containing many valuable remarks.

To Journalists in various parts of the country, we are under great obligations for their friendly notices of our undertaking.

To gentlemen at Baton Rouge, Louisiana; Liberty, Mississippi; Detroit, Michigan, and other places, we are indebted for additions to our list of subscribers.

PRICES OF BANK NOTES AND SPECIE.

Saturday, October 23d, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	— *a* ⅜ dis.	— *a* 2¼ pr.
New Hampshire	— *a* ⅜ dis.	— *a* 2¼ pr.
Vermont	— *a* ⅜ dis.	— *a* 2¼ pr.
Massachusetts	— *a* ⅜ dis.	— *a* 2¼ pr.
Rhode Island	— *a* ⅜ dis.	— *a* 2¼ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 2¼ pr.
New York City	Standard.	2⅛ *a* — pr.
New York State	⅜ & ⅝ *a*—dis.	2¼ *a* — pr.
East Jersey	⅛ *a* — dis.	— *a* 2¼ pr.
West Jersey	3 *a* — dis.	Par *a* 1 dis.
Philadelphia	3⅛ *a* — dis.	Standard.
Pennsylvania, East	3¼ & 5 *a*—dis.	Par *a* 1 dis.
" West	3¼ & 5 *a*—dis.	Par.
Delaware	3¼ *a* — dis.	Par.
Baltimore	3 *a* — dis.	½ pr. *a* par.
Maryland	5 *a* — dis.	Par *a* 1 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	— *a* 5 dis.	1¼ *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	— *a* 5½ dis.	2 dis.
South Carolina	2 & 4 *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	2 *a* 40 dis.
Alabama	10 *a* — dis.	6¼ *a* — dis.
Louisiana	5 *a* — dis.	—— 1 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	9 *a* — dis.
Kentucky	9 *a* — dis.	7 *a* — dis.
Missouri		7 dis.
Illinois	10½ *a* — dis.	— *a* 8 dis.
Indiana	— *a* 10 dis.	— *a* 7½ dis.
Ohio	10 *a* — dis.	5 *a* 8 dis.
Michigan	— *a* 10 dis.	10 *a* 18 dis.
American Gold, (new coinage)	Par *a* — p.	2¾ *a* 3 pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.30 *a* 16.50	16.55 *a* 16.60
Patriot Doubloons	15.90 *a* 16.00	16.00 *a* 16.10
Spanish Dollars	— *a* 6 pr.	— *a* 4 pr.
Mexican Dollars	— *a* 2 pr.	— *a* 3 pr.
Five Franc Pieces	— *a* 95 cents	95 *a* 96
Half Dollars	— *a* 1 pr.	2½ *a* — pr.
BILLS OF EXCHANGE ON		
London	9¾ *a* 10 pr.	12 *a* 13 pr.
France	5.20 *a* 5.18¾	5.05 *a* —
Holland	40⅜ *a* 40½	— *a* 41¼
Hamburg	36⅝ *a* 36¾	38 *a* —
Bremen	78½ *a* 78¾	80¼ *a* 80¾
Boston	⅛ *a* ¼ dis.	2¾ *a* 2⅞ pr.
New York		2¾ *a* 2⅞ pr.
Philadelphia	2⅞ *a* 3 dis.	
Baltimore	2⅛ *a* 2¼ dis.	¼ *a* ½ pr.
Richmond	4½ *a* 5 dis.	— *a* 2½ dis.
North Carolina	3¾ *a* 4 dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 1 pr.
Savannah	2 *a* 2½ dis.	Par.
Augusta	2 *a* 2½ dis.	
Columbus	12 *a* 12½ dis.	
Macon	14 *a* 14½ dis.	
Mobile	7 *a* 7¼ dis.	5¼ *a* 6 dis.
New Orleans	2¾ *a* 3 dis.	½ *a* ¾ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	10 *a* 11 dis.	8½ *a* — dis.
St. Louis	8½ *a* 9 dis.	
Louisville	7 *a* 7½ dis.	5 *a* 6 dis.
Cincinnati	8¾ *a* 9½ dis.	— *a* 7 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	7¾ *a* 12	10 *a* 12
Mobile	7¾ *a* 11½	9¾ *a* 12
Upland	7½ *a* 10¼	9 *a* 10½
Flour, Western Canal, per bbl.	5.87½ *a* 6.12½	
Philadelphia	—— *a* ——	6.00 *a* 6.12½
Rye Flour	3.50 *a* ——	3.37½ *a* ——
Indian Meal	3.25 *a* 3.37½	2.87½ *a* 2.75
Grain—Wheat, per bush	1.20 *a* 1.30	1.27 *a* 1.34
Rye	— *a* 68	62 *a* 66
Corn	65 *a* 71	62 *a* 68
Oats	— *a* 50	— *a* 46
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 35	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4⅜ *a* 4½	4¾ *a* —
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 10	4 *a* 9¾
Wool, American, Merino, per lb.	42 *a* 45	39 *a* 42
Common	25 *a* 30	32 *a* 34
Whiskey, Rye, per gal	18½ *a* 19½	21 *a* 24
Provisions, Mess Beef, per bbl.	7.00 *a* 8.00	10.00 *a* ——
Mess Pork, per bbl.	9.62½ *a* 10.50	9.75 *a* 9.50
Hams, per lb.	6 *a* 9	6 *a* 8½
Lard, per lb.	7 *a* 8	7 *a* 8
Cheese, per lb.	6 *a* 7	7 *a* 7½
Rice, per lb.	4 *a* 4⅜	3½ *a* 4

THE UNITED STATES BANK.

The United States Government has commenced a suit against this bank, in the District Court for East Pennsylvania, for a sum exceeding three hundred thousand dollars. It is alleged that the bank has claims against the government sufficient to cover this amount.

The stock of the bank is now down to three or four dollars a share, and there are but few willing to buy at even that low rate. Its notes are at 43 and 44 per cent. discount.

THE PHILADELPHIA BANKS.

A writer in one of our daily papers affirms that the Philadelphia Banks have in the aggregate but three millions of active capital remaining, all the rest having been swallowed up in United States Bank post-notes, State stocks, and suspended debts.

An able writer in the Boston Courier cautions the people of Massachusetts against granting any further credits to the Philadelphians. There is every probability, he declares, that the notes of the other banks of Philadelphia will sink as low as those of the United States Bank.

We wish our Boston friends to understand that we have brought paper-money banking in Philadelphia to such perfection, that *we can carry it on just as well without capital as with it.* They need not therefore be afraid to trust us with goods, because our bank capital is gone, or nearly gone.

THE MONEY MARKET.

Bank Directors and bank favourites continue to get money from the banks at the usual rate of discount, that is to say, 6 4-10 per cent. per annum. Others, less fortunately circumstanced, pay from 9 to 11. But many find it impossible to borrow even at this rate, as is sufficiently proved by the fact, that, within a week or two, several hundred persons have taken the benefit of the insolvent act.

NEW COUNTERFEITS.

Commercial Bank, Albany, N. Y.—1s, light appearance; J. Taylor, cash.; John Townsend, pres. Vignette, a ship under sail. The words "of Albany" and "Albany" one above the other, are separated by "one dollar," in the same sized letter. 3s, altered from Commercial Bank of Poultney, (fraud.) Durant & Co. engravers. Figure of an Indian with bow and arrows, and dog on left end, which, in this respect, makes it resemble the genuine notes. 3s, let. A; J. Taylor, cash.; John Thomson, pres.

Chemical Bank, N. Y.—3s, post notes, altered from the North River Banking Co. Vignette, a ship. Feb. 22, 1840. Letter A.

Bank of Brockport, Brockport, N. Y.—5s, letter B, pay James Clark, Sept. 1, 1840. Signed John C. Nichols, cash.; E. B. Holmes, vice pres.

Bank of Woodstock, Woodstock, Vt.—3s, coarsely done, very faint, resembling lithography. Pay to H. Hall, Oct. 10, 1827. Paper poor. 5s, letter A, pay A. Kent, June 5th, 1840. Jno. Billings, cash.; R. Van Colt, pres. Engraving poor, paper light.

Providence Bank, Providence, R. I.—3s, letter C, July 26, 1839, pay to Isaac Case, James W. Crawford, cash.; W. T. Billings, pres. Paper white and flimsy.

Bank of Wooster, Wooster, Ohio.—10s, altered from fraudulent Bank of Vernon, Texas. Vignette, two eagles with shield of Hope—on right margin shipping, and on left end figure of a female, under which are the names of the engravers—Boston Bank Note Company. J. S. Lake, cash.; J. S. Coulter, pres.

Bank of Xenia, Ohio.—5s, signed H. Clark, cash.; John Hivling, pres. No notes are genuine with these signatures. Vignette two Indians, one reclining on a rock looking at a steam-boat. The words "Xenia" and "Ohio" look very suspicious, and as if done with a pen.

In Baltimore they have had an admirable contrivance for making money plenty. They converted the Baltimore and Ohio Railroad Company's office into a paper money manufactory, and sent therefrom notes of different denominations, some of them as low as 12½ cents, redeemable, when presented in sums of one hundred dollars, in Baltimore city stock. These issues amount in all to about one million and a half of dollars. Recently "a panic" occurred, and "the better currency" fell to about 15 per cent. discount. At present the discount on them is said to be no more than 8 or 9 per cent.

The chapter on "The Tax paid by the People to the Banks," begun in our last number, is continued on the next page. In reading it, the reader will recollect that it was written ten years ago, that the number of banks was then 300, that it is now 900, and that the tax paid to them has been increased accordingly.

If the banks do not, by the use of a nominal capital of six million one hundred and two thousand dollars, draw interest from the people on the sum of seventeen million five hundred and twenty-six thousand dollars, their returns to the Legislature are deceptive. If they actually draw interest on this amount, they draw from the people seven hundred and fifty-five thousand five hundred and forty-four dollars per annum more than would be drawn by private persons lending *bona fide* capital of the same amount as the nominal capital of the banks.*

Supposing the sums paid in each year, since the passage of the Bank Act of 1814, to equal that paid in 1829, the total amount paid by the people in sixteen years, over and above six per cent. on the loanable capital of the banks, is twelve million and eighty-eight thousand seven hundred and four dollars. A direct tax of half the amount for the support of government, would have produced a rebellion.

The Bank of the United States had, on the 1st of November, 1829, a nominal capital of thirty-four million nine hundred and ninety-six thousand two hundred and seventy dollars. Of this amount, eleven million seven hundred and seventeen thousand and seventy-one dollars were invested in public stocks, and three million eight hundred and seventy-six thousand four hundred and four dollars in real estate, leaving it nineteen million four hundred and two thousand seven hundred and ninety-five dollars of nominal capital for its proper business of accommodating borrowers and dealers in bills of exchange. On this amount of *bona fide* capital lent at six per cent., private persons would draw a revenue of one million one hundred and sixty-four thousand one hundred and sixty-seven dollars. But the bank, with this amount of nominal capital, discounts notes and bills of exchange, to the amount of forty million seventeen thousand four hundred and forty-five dollars, from which it derives an annual revenue of two million five hundred and sixty-one thousand one hundred and fourteen dollars, or one million three hundred and ninety-six thousand nine hundred and forty-seven dollars per annum more than would be received by private capitalists. In this estimate, we do not include what is paid to the bank on the rate of exchange, though this must amount to hundreds of thousands of dollars.

Of the tax paid by the people for the support of the local banks in other States than Pennsylvania, it is not so easy to form an estimate. Mr. Gallatin gives a statement of two huudred and ninety-seven institutions having nominal capitals of the amount of ninety-seven million three hundred and eighty-one thousand nine hundred and thirty-five dollars, but he does not state what portion of their capital is invested in stocks and real estate. The loans made by certain local banks, out of Pennsylvania, having capitals of the amount of eighty-one million three hundred and sixty-three thousand two hundred and twenty-four dollars, he states to be one hundred and eight million three hundred and forty-one thousand two hundred and sixty-eight dollars ; but he gives no statement of the loans made on twenty million four hundred and twelve thousand seven hundred and eleven dollars of nominal bank capital. Supposing the loans on this amount to be in the same proportion, the total amount loaned by the local banks out of Pennsylvania, is one hundred and thirty-five million five hundred and twenty-two thousand three hundred and thirty-one dollars, and the annual bank interest on it eight million six hundred and seventy-three thousand four hundred and twenty-seven dollars.

Supposing these banks to have the same proportion of their capital invested in stocks and real estate, as the banks of Pennsylvania, they have forty-nine million three hundred and eighty-seven thousand and fifteen dollars left for the business of discounting. From such an amount of *bona fide* capital lent at six per cent., private persons would draw an interest of two million nine hundred and sixty-three thousand two hundred and twenty dollars. But the amount the banks draw is eight million six hundred and seventy-three thousand four hundred and twenty-seven dollars, or five million seven hundred and ten thousand two hundred and seven more than would be drawn by private capitalists.

The sums, then, extracted from the people, over and above six per cent. on so much of the bank capital as is employed in discount-

* It may perhaps be argued, that the "surplus funds" of the banks ought to be added to their loanable capital. But, as Mr. Gallatin has said, "it will easily be perceived, that what is called the surplus, and sometimes the reserved or contingent fund, is nothing more than that which balances the account, or the difference between the debits and credits of the banks." The surplus funds of the banks of Pennsylvania were, in November, 1829, according to Mr. Gallatin's statement, one million one hundred and forty-two thousand dollars. If it be thought proper to add this amount to the loanable capital, the estimate of the tax paid by the people of Pennsylvania, for the support of their local banks, should be reduced from seven hundred and fifty-five thousand five hundred and forty-four, to six hundred and eighty-seven thousand and twenty-four dollars per annum. It is of little moment which mode of estimation is adopted. Either proves that the tax amounts to hundreds of thousands of dollars in each year.

ing, or the tax paid by the people for the support of the banks, would appear to be—

For the support of the banks of Pennsylvania,		$ 755,544
do.	local banks of other States,	5,710,207
do.	United States Bank,	1,396,947
		$7,862,698

We cannot pretend to be very exact in our estimate. The local banks in the other States may have a greater proportion of their capital invested in stocks and real estate than the banks of Pennsylvania, or they may have a less proportion. The total amount of their loans may be greater or may be less than has been calculated from the data furnished by Mr. Gallatin. It is enough to know that the extra interest is *millions* per annum.

The principle on which this tax is levied, cannot be misunderstood. With a loanable capital of one hundred thousand dollars, a bank can, by the help of its deposits and circulation, make loans to the amount of two hundred thousand or three hundred thousand. Hence, for every hundred thousand of their own capital employed in discounting, the banks draw twice or thrice as much interest as is drawn from the same amount in the hands of private capitalists. The gain of the banks from their practice of taking the discount in advance, and charging sixty-four days interest on notes which have but sixty-three days to run, is also considerable.

CHAPTER XVII.

Of the Formation of Bank Capitals.

When the uninitiated hear of banks having capitals of five hundred thousand or a million dollars, they suppose that these institutions had at their commencement, or some time after, real money to this amount. It is a very natural supposition; but not a true one. The banks create their own capitals in the same manner that they create the money they lend to the people.

The usual method of proceeding is as follows:

An act is passed by the legislature to authorize the establishment of a bank, and certain persons, called commissioners, are appointed to receive subscriptions. It is provided in the act that the amount subscribed shall be paid in instalments of five or ten dollars in specie, or the notes of specie paying banks, and that after one or two instalments shall have been paid in, the bank shall commence operations.

The first instalment, which we will suppose to be five dollars on a share, enables the bank to purchase desks and a counter, and to pay for engraving and printing its notes. It has then the necessary apparatus for commencing operations, and has, perhaps, a specie fund in reserve of three or four dollars for each share of stock, to meet contingencies.

It then begins to discount notes and circulate paper. The spare cash of those who have dealings with it, is deposited in its vaults. This fund enables it to extend its operations. As the bank notes will serve the purposes of trade in the neighborhood, the specie is sent to distant places to procure commodities. This leaves open a new channel for the circulation of paper: and the bank increases the amount of its issues. Then comes the time for paying the second, third, or fourth instalment. The bank makes a call on the stockholders. Some of them hypothecate their stock, that is, pledge it to the bank, and with the means obtained from the bank itself pay in their proportion. Others have obtained the means by discounts of accommodation notes, without any hypothecation of stock. Some few pay in real money: but they generally pay in the notes of the bank itself, or of similar institutions.

It is by this kind of hocus-pocus that bank capitals are formed. After the first instalment is paid, the bank, by its own operations, facilitates the paying of the others.

The Bank of Pennsylvania and the Bank of the United States have more pretensions than most others to solidity of capital. It was provided in their charters, that a portion of their instalments should be paid in government stock. This is not a convenient form for loanable capital, which, it might be supposed, is the kind of capital banks should possess. But the peculiar profits of banks are derived from credit and circulation, and they want no more real capital of any description than is necessary to support their credit.

It is difficult to say in what the capitals of the other banks ever consisted, unless it be in what it consists at present—in the promissory notes of individuals. Now, the banks did not obtain these promissory notes by lending real money of their own, for they had it not to lend. They obtained these promissory notes of the stockholders, by giving in exchange for them the promissory notes of the bank. Thus bank capitals are

formed by exchanging one kind of promises to pay, for another kind of promises to pay.

This mode of forming bank capitals, with the stock notes of the subscribers, is not peculiar to banks of the second and third order. The banks of the most approved standing have formed their capitals in the same way.

The nominal capital of the old Bank of the United States, was ten millions of dollars. One fifth part of this, or two millions of dollars, was subscribed by the national government; but the national government having no money to pay its subscription, professed to borrow from the bank. And the bank having no money to lend, passed a *credit* of two millions in its books to the government. The government paid six per cent. to the bank on these two millions, and, in return, received the dividends on five thousand shares of stock, valued at four hundred dollars each share.

The residue of the capital, or eight millions, was subscribed by individuals, and was to be paid, three-fourths in six per cent. stock, and one fourth in specie, in four six-monthly instalments of five hundred thousand dollars each. "No more," says Dr. Erick Bollman, "or little more than the first instalment, can ever be considered as having been received by the bank actually in hard money."*

The capital of the present Bank of the United States was fixed by its charter at thirty-five millions, of which government subscribed seven; but government having, as in the former instance, no money, the bank granted it a credit to this amount.

The remaining twenty-eight millions of stock were subscribed for by individuals. On each share of the stock, they were, agreeably to the terms of the charter, to pay five dollars in gold or silver coin at the time of subscribing: at the expiration of six months the further sum of ten dollars: and at the expiration of twelve months, the further sum of ten dollars. At each of those three periods, twenty-five dollars more were to be paid, on each share, either in United States stock, or in gold and silver coin, at the option of the subscribers.

No more, or very little more, than the first instalment of five dollars on each share, was paid in gold or silver coin. The directors, indeed, proceeded on the principle that no more was necessary. "It is clear," says one of them, "that having commenced business, and put its paper in circulation, it (the bank) could not enforce the specie part of the second and third instalments of the capital, in new *acquisitions* of specie. . . . . The directors acted wisely in discounting the notes of the stockholders, payable in specie sixty days after date, for the payment of the second instalment."*

It is contended by the founders of these institutions, that this mode of forming bank stock is perfectly correct. If it is, stock may be created to almost any amount. The bank risks nothing, and does not increase its circulation; for the notes which it pays out at one counter in discounting stock notes, are paid in at another counter in subscriptions. The subscribers pay a certain sum to the bank as borrowers: but they receive back the same amount as stockholders. The whole business is nothing but a paper transaction between the bank and its stockholders.

Many of the present owners of stock have paid their hundred dollars' worth of property, or perhaps given an advance of twenty per cent. for the shares they hold: but what they paid, never went to form the capitals of the banks. They paid it to the original subscribers, or to those who bought script from the original subscribers.

CHAPTER XVIII.

Of Speculations in Bank Stock, and of other Stock-Jobbing.

It is well worthy of remark that, though the banks derive as much profit as private capitalists, from so much of their capital as is invested in real estate and public securities, however they may have got that capital, and however they may have formed it: and though they derive from twelve to eighteen per cent. from so much of their capital as is employed in discounting, they do not, on an average, divide more than six per cent. When the proposal was made to form a "safety fund," by a tax on the banks, the proprietors of stock in the city banks of New York objected to it as a great hardship, alleging that they had not, for a series of years, received more than five and a half per cent. per annum. The heavy expenses of these institutions in the payment of presi-

* Paragraphs on Banks, Philadelphia, 1811. Dr. Bollman was a zealous advocate for the renewal of the charter of the bank.

* "A Friendly Monitor," Philadelphia, published December 15, 1819, and republished September 17, 1822.

dents, cashiers, and clerks, and the heavy losses that are necessarily sustained when corporate interest superintends the business of lending, are the reasons that the stockholders get much less than the people pay. Such being the fact, the anxiety to establish new banks might create surprise, if we did not know that the object of the projectors of such institutions is not *to lend* money, but *to make* money. People who have money, can lend it without the intervention of Boards of Directors. They can lend it more securely, and watch over it more easily. But a new bank will afford to some favored gentleman a snug birth as president for life, and to another an equally snug birth as cashier. Poor cousins can be very conveniently provided for by giving them clerkships. To some, the new bank will afford facilities for borrowing; to others, it will afford facilities for lending—at two or three per cent. a month. To those who are to be directors, it will impart additional consequence in society, and give great advantages over their neighbors in business. Others hope to make fortunes by speculations in the script. To further all these objects, nothing is necessary but a charter from the legislature, and the means of paying the first instalment. By the convenient contrivance of stock notes, the stock of the bank can be completed. The circulation and deposits will prove a certain source of revenue.

When a charter is granted, the speculators evince great anxiety to possess the stock, and thereby create an idea that it is something very valuable. In New York, their practice is to subscribe a much greater amount than the nominal capital, and then clamor for a *pro rata* division. In the case of the Broome County Bank, the capital of which was fixed at one hundred thousand dollars, the subscriptions amounted to eight millions. In Pennsylvania, where subscriptions are not received beyond the amount of nominal capital, draymen and other able-bodied persons are hired by the speculators to get the script for them. They struggle at the windows with so much violence, as to give and receive severe personal injury. The most disgraceful riots that occur in Philadelphia, are those which are produced by the opening of the books of subscription for a new bank.

These doings have their effect on simple-minded people; and, from the prospect of large profits, they prefer bank stock to land and houses. The founders of the bank kindly spare them some of the script at an advance of five or ten per cent., retaining only enough to keep the control of the institution in their own hands.

Even those who are not simple-minded, do not hesitate to buy the script at an advance, for they hope to sell it at an additional advance. They know that the price of bank stock in the market is regulated principally by the rate of dividends, and that few make inquiry into the solidity of these institutions, or have, indeed, the means of ascertaining whether, on the winding up of affairs, they can pay fifty cents in a dollar.

From the peculiar nature of their operations, banks may sustain their credit, and continue to make high dividends, even when nearly all their capital is gone. In one instance, in Philadelphia, a sum equal to the whole capital of a bank, was actually taken from it by some of its clerks and their coadjutors out of doors, without the directors knowing any thing about it. The bank continued its operations as before, supported by its deposits and its circulation. Its stock sold as high in the market as ever. When the defalcation was discovered, the credit of the bank received a shock. But the directors called in one or two additional instalments, and the bank recovered its credit. Its stock is now much above par.

On common gambling principles, speculations in bank stock are, perhaps, as eligible as speculations in any thing else. But it may be made a question, if executors, guardians, and trustees, act with sound judgment, when they, merely for the sake of facility of management, invest the property intrusted to their care in stocks of this description. The ability of a bank to pay any thing to the purchasers of its shares, depends on the ability of the original subscribers to pay their stock notes and accommodation notes, and on the ability of borrowers to pay their promissory notes. This ability depends on various contingencies, all which ought to be duly considered by those who contemplate making permanent investments of the funds in their hands.

In making *temporary* investments, there is less risk. "The house is crazy," says the weary traveller to himself, "and must fall; but not to-night. I may therefore venture to sleep in it." When it has no profits, the bank may make dividends on its capital, and the fact be concealed from all but the directors. If its stock should fall in the market, it may be raised again by a few pretended sales, effected through the instrumentality of brokers.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, November 10, 1841. No. 10.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

PAPER MONEY IN FRANCE.

Concluded.

Depreciation of assignats proceeded from a crowd of causes; their great quantity, the uncertainty of their security, which must fail if the Revolution did not succeed, their comparison with specie, which did not lose its reality, and with goods which, retaining their value, could not be got for money which had lost its value. Capitalists would not keep funds in assignats, because in that way they were perishing every day. At first, they endeavoured to procure silver, but six years of constraint alarmed the buyers and sellers of specie. They then turned their attention to goods, but they offered a transient investment, because they could not be kept long, and a dangerous investment, because the rage against forestallers was at its height. They therefore looked out for securities in foreign countries. All the holders of assignats strove to get bills of exchange on Amsterdam, London, Hamburg, Genoa, any part of Europe. They gave enormous national values for these foreign values, and thus degraded assignats by deserting them. Some of these assignats were realized out of France, and the value of them received by emigrants. Magnificent furniture, the spoils of former luxury, consisting in cabinet ware, clocks, mirrors, gilded bronzes, porcelain, pictures, precious editions, paid for these bills of exchange, transmuted into guineas and ducats. But no attempt was made to realize more than the smallest part of them. Sought after by terrified capitalists, unwilling to emigrate, but desirous only of getting a solid guarantee for their fortunes, they almost all remained wherever the most alarmed sent them to one another. They thus formed a particular mass of capital, guaranteed abroad, and rivalling the assignats. There is reason to believe that Pitt got English capitalists to sign a great quantity of this paper, and even opened a considerable credit for them, to increase the mass of it, and contribute, in this way, more and more to the discredit of assignats.

Great eagerness was also displayed to procure the bills of stock companies, which seemed to be beyond the reach of the revolution and counter-revolution, and offered, moreover, an advantageous investment. Those of the Company of Discount were in great favor, but those of the India Company were sought after with the greatest avidity, because they rested, in some measure, on an inaccessible pledge; this hypothecation consisting of vessels and stores situated all over the globe. It was in vain they were subjected to a considerable transfer duty; the directors evaded the law by abolishing script, and replacing it by mere informal entry on the books of the company. Thus they defrauded the State of a considerable revenue, for many thousand transfers a day were made, and they rendered useless the precautions taken to prevent brokerage. In vain, also, in order to diminish the attraction of these bills, were their proceeds subjected to a duty of five per cent. The dividends were distributed among the holders as reimbursement of part of the capital, by which stratagem the directors once more evaded the law. Thus, from 600 francs, these bills rose to 1,000, 1,200, and even 2,000, which was so much value opposed to the revolutionary money, operating to discredit it. Not only were all these sorts of funds opposed to assignats, but certain parts of the public debt, and even other private assignats. There existed, in fact, loans subscribed at all times, and in every form. Some went as far back as Louis XIII. Among the more recent, subscribed under Louis XVI., there were different creations of them. Those anterior to the constitutional monarchy were generally preferred to those which had been opened for the wants of the revolution. Every body was opposed to the assignats, hypothecated on the property of the clergy and the emigrants. And differences were made between the assignats themselves. Of about five milliards issued since the creation, one milliard was got in by purchases of national property. Nearly four milliards remained in circulation, of which might be reckoned five hundred millions created under Louis XVI., and bearing the royal stamp. These latter, it was said, would fare better in case of a counter-revolution, and be taken at least for a part of their value; so that they passed for ten or fifteen per cent. more than the others. The republican assignats, the only resource of the Go-

vernment, the only money of the people, were thus completely discredited, and had to struggle at the same time against specie, goods, foreign paper, the script of the stock companies, the various State credits, and finally the royal assignats. The reimbursement of offices, the payment of large supplies made to the State for war demands, the eagerness of many debtors to be exonerated, produced great collections of funds in certain hands. War, and the dread of a terrible revolution, had interrupted numerous commercial operations, brought about large settlements, and still further augmented the mass of stagnant capital seeking security. This capital, thus accumulated, was subjected to perpetual brokerage at the Paris Exchange, changed by turns into gold, silver, provisions, bills of exchange, stocks, old State contracts, &c. Those venturesome gamblers of course intervened, who throw themselves upon all sorts of hazards, speculate on the chances of commerce, the supplies of armies, the faith of Government, &c. Lying in wait at the Exchange, they made a profit upon every rise, by the continual fall of assignats. The decline of the assignat began first at the Exchange, in comparison with specie and all transitory values. Then it took place by comparison, which rose in prices in the shops and markets. Meantime, goods did not rise as fast as specie, because the markets are distant from the Exchange, because they are not so sensitive, and besides that dealers can't give each other the hint so quickly as brokers collected in one building. A difference first settled at the Exchange, was not known elsewhere till after a certain time. The assignat of five francs, which already was worth but two at the Exchange, was still worth three at market; so that the brokers had the interval necessary for speculation. Having their capitals all at hand, they took specie before the rise; as soon as it rose in comparison with assignats, they exchanged it for them. They had a greater quantity of them; and, as merchandise had not had the time to rise yet, with such greater quantity of assignats, they brought a greater quantity of merchandise, and sold it again when the equality was restored. Their part was to employ the specie and the merchandise, while they both rose in comparison with assignats. Thus their profit consisted in constant gain from the price of every thing rising above the price of assignats; and it was natural to begrudge them a benefit always founded on public calamity. This gambling comprehended the change of all sorts of values—such as foreign paper, stocks, &c. They profited by all accidents producing differences—such as a defeat, a motion, false news. They formed a pretty considerable class, among whom were foreign bankers, contractors, usurers, former priests or nobles, recent revolutionary converts, and a few members, who, to the honor of the convention, were but five or six, enjoying the perfidious advantage of contributing to the variation of prices, by motions made on purpose. They lived a life of pleasure with actresses, former nuns, or countesses, who from being mistresses, became sometimes women of business. The two principal members engaged in these intrigues, were Julien of Toulouse and Delaunay of Angers, who lived, the first with the Countess of Beaufort, the second with the actress de Coignes. It is said that Chabot, dissolute as an old Capuchin, and busying himself sometimes with financial questions, gave himself up to this kind of brokerage, in company with two brothers, named Frey, expelled from Moravia for their revolutionary opinions, and come to Paris, to carry on the trade of banking there. Fabre D'Eglantine dabbled in it too, and Danton was accused, but without any proof, of not being a stranger to it. The most shameful intrigue was that which connected the Baron de Batz, a skilful banker and financier, with Julien and Delaunay, the members most bent on making their fortunes. They had a project for denouncing the malversations of the India Company, lowering their stocks, buying them at once, and then raising them by means of more moderate motions, taking advantage of the rise. D'Espagnac, that acute abbe, who was Dumouriez's contractor in Belgium, who afterwards obtained the job of the general wagonage, and whose bargains Julien protected in the convention, was to recompense him in the funds of brokerage. Julien proposed to join Fabre, Chabot, and others, in this intrigue, who were to render themselves useful as members of different committees. Most of these men were attached to the Revolution, and did not wish to injure it; but they wanted, any how, to enjoy themselves and make fortunes. All their secret contrivances are not known, but as they speculated on the discredit of assignats, the evil by which they profited was imputed to them. As there were many foreign bankers associated with them, they were called agents of Pitt and the coalition; and the mysterious, so much dreaded, influence of the English Ministry was supposed to be seen in this business. There was, in short, the same indignation against brokers as forestallers, and the same punishment was demanded against both. Thus, while the North, the Rhine, the South, and La Vendee, were invaded by enemies, the means of finance consisted in money which would not pass—whose security was as uncertain as that of the Revolution itself, and which fell at every accident in value proportioned to the peril. Such was this singular situation. As danger increased, and means should have been greater, they, on the contrary, diminished—munitions of war departing from Government, and subsistence from the people. So that it was necessary to create at once soldiers, arms, and money, for the Government and the people, and after all assurance of victory.

In 1795, when a constitutional reform took place, Madame de Stael assures that the Directory could hardly get a table on which to write their orders; and there were not one hundred thousand francs, (twenty thousand dollars,) in specie, in the public treasury. Civil war raging in the South, defeated armies on the northern frontiers, confusion, distrust, devastation, all but dismay every where—were the fruits of attempting to pay public obligations by paper promises. Within one month all was changed as by enchantment. In the course of twelve months, France, triumphant abroad, became flourishing at home. Victory was said to be organized, and paper mo-

ney disappeared almost as fast as it had expelled coin. Ever since that wonderful restoration, the precious metals have abounded in that country, while its prosperity has advanced, with an increase of population, notwithstanding unexampled wars, revolutions, troubles, conquests, and, worst of all, royal Restorations, worse than any Republican convulsions. With complete equality and imperfect liberty, with the best distribution of property, France stands firm on the basis of hard money, heavily taxed, considerably indebted, but never disturbed by difficulties of currency.—*C. J. Ingersoll.*

THE SCOTCH BANKING SYSTEM.

Banking in Scotland, as in the United States, is carried on by companies: but in the United States these companies are incorporated, and the copartners are responsible in only a limited amount. In Scotland, on the contrary, each partner is liable to the whole extent of his private fortune for the engagements of the bank. Herein is the fundamental difference of the two systems, to which is to be attributed the safety of Scotch, and the insecurity of American banking.

In Scotland there are, indeed, three incorporated banks, but their power is relatively so small that they are obliged to conform to the usages which the unincorporated bankers establish.

These usages are such as might naturally be expected to be adopted where the individual ruin of the banker would be the necessary consequence of mismanagement of bank concerns. No loans or discounts are made except on a close scrutiny of the securities offered; and the balances due by the banks to one another, are settled every three days. Most of the banks have agents in different towns, and these agents, if any loss is sustained on the business done by them, are made to bear part of that loss.

The internal management of these banks is different from ours. Before the paying teller can pay a check, it is certified to be good by a kind of recording clerk. In this way, overdrafts are prevented. In like manner when a deposit is made, at least two officers of the bank certify the fact. Such is the exactness with which every thing is managed, that the Bank of Scotland has, it is said, in the course of a century, lost but a few hundred pounds, on transactions amounting in the aggregate, to hundreds of millions.

In 1825, there were thirty banks in Scotland, having altogether one hundred and thirty-three branches, besides three banking houses in Edinburgh, which issued no notes. One of the note-issuing unincorporated banks had then 1,238 partners, another had 551, and another 446. Of the remaining banks, there were three in which the number of partners exceeded 100; six in which the number was between 20 and 100; four in which the number was between 20 and 10; and twelve in which the number was less than 10. The smallest number of partners in any banking company was three.

It is worthy of remark that though the business of banking is free to all in Scotland, only six new banks appear to have been established between the years 1792 and 1824, a period of 32 years. In 1825, (a year of great speculation,) four new banks were established, and the number has, probably, since been increased.

It is not because the business is not profitable that the number of institutions is not multiplied. Their stocks stand on an average at 100 per cent. premium on the capital originally paid in. The Aberdeen Banking Company commenced business in 1767, on a capital of 150 pounds per share, or 30,000 pounds paid in. In 1821, its shares were selling at £1400. Subsequently they rose to £2500, and in 1836 were held at the rate of 3000 guineas per share.

Jealous as the existing Scotch Banks are of one another, they must be supposed to be still more jealous of any interlopers in their lucrative business. None but persons of undoubted wealth could establish a new bank in Scotland with any prospect of success, and most of these seem to think it better to buy shares in the banks already established, and which, having already possession of the ground, can do business to most advantage.

The only restrictions to which the Scotch Bankers are restricted, is one prohibiting them from issuing notes of a less denomination than twenty shillings, ($4.85;) and another which prohibits their issuing notes payable to the bearer on demand, or payable at the option of the issuer at the end of six months, with a sum equal to the legal interest from the date of the demand to the time of payment. The practice of issuing this kind of *post notes*, as we might call them, prevailed up to the year 1765, when it was put an end to by act of Parliament.

As the Scotch banks make no returns to the Legislature, as is customary with American banks, and as their affairs are not inspected by Commissioners, as are those of the banks of New York, the amount of their capital and the extent of business they perform, is altogether con-

jectural. It is said that the whole amount of banking transactions is about equal to one-half of that of the single county of Lancashire.

One practice by which the Scotch banks are distinguished from the American, is that of granting what are called "cash credits." A storekeeper, for example, will give a bond with two or more approved securities for 500 pounds. A credit is then granted to him on the books of the bank for this amount. If on the next day, or in the next week, he draws £100 of this amount from the bank, interest on this amount, and on this amount only, commences on the day he makes the draft. If he repays it in the next week, the interest ceases on the day on which the repayment is made. This practice is much more equitable than that of our American bankers, who require those who get discounts from them to pay interest on the whole amount, though half the sum may remain on deposit in the bank, and never be touched by the borrower. The Scotch bankers are very careful that these "cash credits" do not degenerate into *accommodation* loans. Unless the borrower draws out the amount, and pays it in again, four or five times in the course of the year, hints are given to him that his proceedings are not satisfactory, and if the amount becomes altogether stagnant, and remains so for any length of time, intimations are given to him that at a fixed period he must discharge the debt. The whole amount of the credits thus granted, was said, in 1825, to be six millions sterling, and the amount drawn out at any one time, to be, on the average, two-thirds of the whole, or four millions.

Another practice which is general among the Scotch banks is that of paying interest on deposits. Generally, the course of the banks is to receive such deposits in as small sums as ten pounds, but four or five pounds would not be refused. The aggregate amount of such deposits, in 1825, was estimated as exceeding ten millions sterling, and not exceeding twenty-five millions. This practice of paying interest on deposits, while it does justice to the public, prevents the banks from over-issuing beyond a certain extent. Any issue very greatly exceeding the demands of trade and speculation, would be sure to come back on the banks, not for prompt payment, but in the form of deposits, the interest on which would exceed the profit made by the banks on such excessive issues.

Scotland is the only country in regard to which a doubt can be rationally entertained, whether paper money banking has done more harm than good. The system, independent of its paper issues, is so excellent, that it would be difficult to suggest any improvement of it. Interest is paid *by* the banks to those who lend them money on deposit: and interest is paid *to* the banks by those who borrow money from them, for just the time it is borrowed and no longer. The loan and discount, and deposit departments, may be said to be perfect. But the issuing department has all the defects which are inherent in every system in which an attempt is made to supplant metallic money by paper. In 1823, the highest amount of notes in circulation in Scotland, was £3,462,012; and in 1825, it was £4,683,212, being an increase of more than one-third. Where such enormous expansions can take place, enormous contractions must necessarily follow. And accordingly we find Mr. McCulloch declaring that "The Scotch banks are most liberal of their advances so long as they conceive they run no risk in making them: but the moment alarm and discredit begin to make their appearance, they demand payment of every advance that is not made on the very best security; they cease, in a great measure, to discount; and provide for their own safety, by ruining thousands of their customers."

Other authorities confirm this testimony. Among these are the "Directors of the Chamber of Commerce and Manufactures of Manchester." In their report of December 12th, 1839; "on the effects of the administration of the Bank of England upon the commercial and manufacturing interests of the country," speaking of the convulsion of May, 1837, they say, "Scotland was THE FIRST, *as usual*, to feel the effects of a pecuniary crisis."

It is saying but little in favour of a banking system, to say that the "whole loss sustained by bank failures, from the first introduction of paper, is 36,344 pounds," if that system still subjects commerce to all those convulsions which ruin thousands, and deprive tens of thousands of employment. Never, till the stoppage of the Schuylkill Bank, did the Philadelphia public lose one dollar, in the sense here intended, by the failure of any of their banks, yet Philadelphia banking is becoming a proverb of reproach. The losses occasionally sustained by depositors and note holders, through the stoppages and breakings of banks, are among the smallest evils which English and American banking inflicts on the people of England and the United States.

The Scotch banking system is essentially the same as the old English country banking system. The only difference is, that under the old English system, no private banking firm could have more than six partners, while in Scotland the number of partners to a banking firm is unlimited. Yet numerous failures occurred under the old English system. In 1793, upwards of *one hundred* country banks stopped payment, though at that time they were prohibited from issuing notes of a less denomination than five pounds sterling.

The modern English Joint-Stock system is essentially the same as the Scotch banking system, yet seldom have commercial embarrassments been greater in England, or pecuniary suffering more severe, than they have been since the introduction of the Joint-Stock system.

Perhaps the superior working of the system in Scotland is to be attributed in part to the peculiarities of the Scotch character. Perhaps it is to be attributed to its gradual extension in that country as the wants of the country required it, or rather as the country acquired strength to bear it. It is by degrees that it has reached its present state of perfection. For many years disorders attended its operations. Some of them were of a very serious character.

We have seen that even now, with all the aid which the experience of a century has given in the management of the system, backed by Scotch prudence, its operation produces tremendous commercial revulsions. How it would operate, if Bank and State were separated in Great Britain, is another question. The true principles of commercial banking require that every bank note issued, should represent a real bill of exchange, or something equivalent thereto, and that every bill of exchange should represent merchandise which may be sold in time to enable the merchant to take up the bill he has had discounted at bank, and thus enable the bank to redeem the note it has issued. This fundamental principle is departed from in England and Scotland, where bank notes are received in payment of public dues. The Bank of England, as a government machine, deranges the operations of all the other banks, and would do so even if they were allowed to issue no notes of a less denomination than 100 dollars.

In the United States, a banking system founded on the principles of the Scotch system, would probably work well, provided,

1st. That the concerns of both the State and Federal Governments be separated from those of the banks.

2nd. That no note be issued of a less denomination than 50 dollars.

3rd. That a bankrupt act be passed, which, in case any banker fails to fulfil his engagements, shall immediately transfer his property to commissioners for the benefit of his creditors.

After all, the old Lancashire system of banking is, perhaps, the best. The bankers there issued no notes of their own, and *bona fide* bills of exchange were the chief commercial medium in all large transactions. They passed by indorsement from man to man, and the last holder had his remedy at law not only against the drawer, but against every endorser. It may be asked what advantage is there in such a medium over bank notes which shall represent such bills of exchange actually in the vaults of the bank? The principal advantage is, that through them we see the beginning and the end of every credit transaction. The bill of exchange falls due on a definite day, and then it must be paid or dishonored. Bank notes, though always due, are, in the aggregate, never paid, and by one contrivance or another, payment of them is deferred so long, that at length it becomes impossible to pay them at all.

TIMES HAVE CHANGED.

The "Inquiry into the Principles of the American Banking System," which we are republishing in this Journal, because it is impossible for us to produce any thing better, was written about ten years ago. On reading the nineteenth chapter, which appears in the present number, we have been forcibly struck with the change that a few years have produced. We have therein said, "It is seldom we see a 'bank ticket,' or a 'money corporation ticket' on the election ground." Now, the banks take the field openly.

The change that has taken place in the public press, is hardly less remarkable. From May 1823 to February 1831, we edited the Philadelphia Gazette. We entertained the same views of our banking system then that we do now; and endeavored to give expression to our opinions, but found that every truth we told cost us eight dollars,—that is to say, lost us a daily subscriber. During this period there was not another daily paper in the country, in which the subject of bank reform was a leading topic; nor, that we know of, any weekly papers, except two or three conducted by the working men of New York and Philadelphia.

Now, the evils which our banking system creates, and the means which should be taken to remedy them, are prominent subjects of discussion, in perhaps one third of the American newspapers.

This change in the public press is in part to be attributed to the developement which has since taken place of the evils of the paper money system: but it is owing in part to the establishment

of small papers in our large cities, supported not by subscriptions, but by daily sales. To the *penny press* belongs the credit of having given such a direction to public opinion, that the conductors of many of the large papers can now tell the truth in respect to banking, without fear of thereby involving themselves in total ruin.

Another change has taken place, in the subject of bank reform having been made a party question,—imperfectly so, we admit.—Would that it were entirely so. If all that are sincerely desirous of seeing established a sound money and sound credit system, were united in one party, it would not be long before that object would be accomplished.—As the charter of the United States Bank has expired, one grand obstacle to a reform is removed. Now let the attention of the State Legislatures be directed to the true principles of credit and currency. It is through their action, principally, and not through that of the Federal Government, that a reform is to be effected.

BANK FAILURES.

The Washington Bank of New York stopped payment of its notes on Monday, November 1st. This is one of what are called the "free banks."

The charter of the Bank of Bennington, Vermont, expired on the 1st of January: but its notes continued to enjoy a good degree of credit. Some weeks ago, it was stated that the agents of the bank had failed to redeem its obligations. Then the statement was contradicted. "But now," says the N. Y. Commercial Gazette, "the discount on its paper is fifty per cent., and but few brokers will touch it even at that."

"Immediately after the failure of the Union Bank of Montreal, its agents," says the N. Y. Commercial Gazette, "promised a redemption of its notes within a few days. This has not been complied with, from which it is evident, the deception practised in effecting a circulation, was continued to the end."

An injunction has been placed on the Still Water Canal Bank, at Orono, Maine. The Bank Commissioners say in their report that this institution has been in the hands of New York speculators. Its affairs were in some way connected with those of the Washington Bank of that city. One of the papers states that the circulation of this Stillwater Canal Bank amounted to $25,000, and its specie to five dollars and forty-one cents, in pennies.

The Bank of Buffalo, N. Y., stopped payment on the 1st of November. The Bank of Olean, N. Y., is also to be numbered among the broken. Its notes sell at 15 a 25 per cent. discount.

BANK DEFAULTS.

Mr. Sylvester Spencer, who has for many years had charge of the Pension Office attached to the Mechanics' Bank of New York, is charged with being a defaulter in the amount of about eleven thousand dollars. From the statements that have been made, it seems that most of the money went into the Washington Bank of New York, by which it was used to give a temporary credit to the notes of the Bank of Monmouth, N. J. This said Bank of Monmouth failed in 1828, and paid its creditors twenty cents in the dollar. Now, by means of abstractions from one bank, and by the aid derived from the machinery of another, it has been "set agoing" again. A Buffalo paper states that a large amount of its notes have been sent westward for the purchase of produce.

It is proper to state that Mr. Sylvester, who is accused of abstracting money from one bank to set a new paper money manufactory in motion, complains that his books and vouchers have been taken from him, and says that if they were in his possession, he could satisfactorily explain his accounts.

The Directors of the Schuylkill Bank of Philadelphia, have lately published an address, in which they say, "The frauds committed by the late cashier, H. J. Levis, on the bank, appear to have commenced previous to 1828, and so ingeniously contrived and effected were many of them, that it has only been by the most thorough research and careful examination of documents and papers long since filed away, that they have been brought to light."

This is a beautiful commentary on our banking system. It is so constructed, it seems, that frauds may be perpetrated for ten or twelve years in succession, and yet remain undetected by either President or Directors. What prudent man will hereafter make investments in bank stock?

J. B. Terry, late teller of the Farmers' Bank at Danville, Virginia, has had his trial, and been acquitted of the charge of having robbed that bank of $20,000—probably for want of sufficient evidence.

BANK DIVIDENDS.

The banks of the city and county of Philadelphia have, with a few exceptions, recently declared dividends, some of 2½, others of 3 per cent.

This is an outrage which should be tolerated no longer. Banks which cannot, or will not, pay their just debts, ought not to be suffered to divide profits among their stockholders.

THE FOREIGN NEWS.

A British vessel of war lately arrived at Rio Janeiro, on its way to England, from the Pacific, with $2,500,000 in coin and bullion. It left another British vessel of war in the Pacific, waiting for a *conducta*, with $3,000,000 in specie. Specie naturally goes to England, where specie payments are enforced.

The notes of the Dutch Government Bank, at Surinam, in South America, are said to be at a discount of 50 per cent. The Dutch Government Bank of Java, in the East Indies, is also in a state of suspension. The rate of discount on its notes is not stated.

ACKNOWLEDGEMENTS.

Our acknowledgements are due to gentlemen in Boston, Massachusetts, Pikesville, Maryland, (third list,) Orangeburgh, South Carolina, (second list,) Haynesville, Alabama—Fayetteville, Mississippi, (third list,) Fayetteville, Tennessee, and other places, for additions to our list of subscribers.

We can complete the files of any number of new subscribers.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. VI.

Sunday.—Did not go to church to-day. My clerical friends, the Rev. Matthew McThwackem L. L. D. and the Rev. Jeremy Diddler, D. D. are both at a watering place, and I have no disposition to be bored, as I have been of late, by discourses from strange parsons about honesty, fair dealing, and all that sort of thing.

When the *pure* gospel is preached, that is to say faith alone, without any reference to charity and good works, no person is more disposed than myself to pay due respect to the ministers of religion, or to be more attentive to the means of grace. No one shall ever see my seat vacant when Diddler or McThwackem fills the pulpit. But I cannot abide heresy.

However, I trust that I did not spend the day wholly without profit. I employed the greater part of it in writing to McThwackem and Diddler, partly about things spiritual and partly about things worldly. I hope their religious zeal for the benefit of the poor giddy mortals at the watering place, will not induce them to relax their exertions for the promotion of the rail-road and other speculations in which we all three are so deeply interested. They have families to provide for as well as myself, and ought to recollect that coaches and country seats are great conveniences, or rather absolute necessaries of life. Nothing would grieve me more than to see these two patterns of piety and most excellent friends of mine, reduced to the necessity of trudging through the mud, after the manner of the wretched, infidel Loco-Focos.

Monday.—The impudence of the Loco-Focos does actually exceed all bounds. This morning there was found pasted on our bank door the following advertisement:

PROPOSALS

WILL BE RECEIVED FOR BUILDING A

SUB-TREASURY OFFICE,

And furnishing the same with

SLIDING SHELVES, AND HYDROSTATIC BALANCES.

The building must be constructed of the BEST MATERIALS, and suitably provided with IRON DOORS, LOCKS, BOLTS, and BARS. The vault must be divided into *two compartments*. The first, or

"LOCO-FOCO DEPARTMENT,"

FOR GOLD AND SILVER:

The second, or

"CONSERVATIVE DEPARTMENT,"

FOR THE SAFE KEEPING OF BANK NOTES.

Architects and others are invited to send in their proposals to DEACON GRABALL, who will, in due season, forward them to the seat of government.

The time when this advertisement appeared marks the depravity of the age. As it was found on the bank door early on Monday morning, it must have been put there on Sunday evening.—And this is the way in which the Loco-Focos spend that sacred day! The recent elections must have inspirited them, or they would never have had the audacity to get out such an advertisement.

Tuesday.—Sorely troubled about my eldest son, Tom. He is sadly afflicted with fits of absence of mind. Though a leading member of our Temperance Society, and a rigid total abstinence man, he sometimes, in his fits of abstraction, gulps down gin instead of water. This I do not wonder at much, for gin and water are so nearly of the same color that I am myself sometimes deceived by the similitude. But then he makes the same mistake with brandy. These fits come on him so often that his very horse seems to have caught them from him. This I had occasion to observe some short time ago, when I borrowed Tom's horse and buggy to drive McThwackem some eight miles from town, to lay the corner-stone of a new church. The horse stopped, of his own accord, at the door of every tavern on the road, and would not move forward except on application of the whip. Sometimes when Tom is half way on his road to church, these fits of absence of mind come on him, and he goes to houses of an indescribable reputation—gambling houses, for example. Once the poor boy started to go to a camp-meeting, and never drew up till he got to a race-ground. The most troublesome symptoms of these fits of absence of mind have, however, showed themselves in his frequently signing other men's names to notes, and then raising money on them. I have often had to pay large sums on this account; and the occasions have become so frequent of late, as really to prove very burdensome. Tom, when spoken to on the subject, laid all the fault on his Miss, who was always getting money from him. Asked Tom why he kept so expensive a Miss.—Said he could not help it; 's'posed it was predestinated.' Told Tom not to come over me in that way, for if it was predestinated that he should act the fool, it was also predestinated that he should suffer for his folly. The poor, innocent boy, (he is "only thirty years old") was evidently affected at my treating him in a manner so different from my wont; and my paternal feelings utterly subduing me, I gave him money to hush up the affair. Could not, however, help telling him that it was well he was the son of a wealthy Bank Director. If he had been the son of some wretched Loco-Foco, it might have gone hard with him.

Finding myself much in want of consolation, I sent for old Parson Maultext, and told him of my griefs. But he, instead of healing my wounds, only tore them open afresh. He said if parents, by successful speculations, took away from their children the necessity for industry, it must be expected that, unless their education was carefully guarded, the children would run riot in all kinds of excesses. This was all the comfort I got.—My poor child's misfortunes spoken of as downright profligacy—just as if he had been the son of some wretched Loco-Foco.

Some people say that I am neither "Old School" nor 'New School," but a downright *Antinomian*, in principle and in practice, and that son Tom is only carrying into effect the lessons I have taught him. They may say what they please. What care I for their remarks?

PRICES OF BANK NOTES AND SPECIE.

Saturday, November 6th, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	— *a* ⅜ dis.	— *a* 2¼ pr.
New Hampshire	— *a* ⅜ dis.	— *a* 2¼ pr.
Vermont	— *a* ⅜ dis.	— *a* 2¼ pr.
Massachusetts	— *a* ⅜ dis.	— *a* 3 pr.
Rhode Island	— *a* ⅜ dis.	— *a* 3 pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 3 pr.
New York City	Standard.	3¼ *a* — pr.
New York State	— *a* ¾ & ⅝ dis.	3 *a* — pr.
East Jersey	½ *a* — dis.	— *a* 3 pr.
West Jersey	4 *a* — dis.	Par *a* 1 dis.
Philadelphia	4 *a* — dis.	Standard.
Pennsylvania, East	4 & 5 *a*—dis.	Par *a* 1 dis.
" West	4 & 5¼ *a*—dis.	Par.
Delaware	4 *a* — dis.	Par.
Baltimore	3 *a* — dis.	½ pr. *a* par.
Maryland	5 *a* — dis.	Par *a* 5 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	— *a* 5½ dis.	— *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	— *a* 5¾ dis.	2 dis.
South Carolina	3 & 4½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	Par *a* 40 dis.
Alabama	10 *a* — dis.	5 *a* 5¼ dis.
Louisiana	5 *a* — dis.	—— 1 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	9 *a* — dis.
Kentucky	9 *a* — dis.	5 *a* — dis.
Missouri		7 dis.
Illinois	12 & 15 *a* dis.	— *a* 8 dis.
Indiana	— *a* 12½ dis.	— *a* 8 dis.
Ohio	12½ *a* — dis.	5 *a* 8 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage)	Par *a* — p.	—— *a* 3¼ pr.
Sovereigns	4.84 *a* —	4.95 *a* 5.00
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.30 *a* 16.50	16.55 *a* 16.60
Patriot Doubloons	15.90 *a* 16.00	16.00 *a* 16.10
Spanish Dollars	— *a* 6 pr.	4 *a* — pr.
Mexican Dollars	— *a* 2 pr.	3 *a* — pr.
Five Franc Pieces	— *a* 95 cents	95 *a* 96
Half Dollars	— *a* 1 pr.	3½ *a* — pr.
BILLS OF EXCHANGE ON		
London	9¾ *a* 10 pr.	13 *a* 13¾ pr.
France	5.20 *a* ——	5.05 *a* 5.05½
Holland	— *a* 40½	41¼ *a* 41½
Hamburg	36⅜ *a* —	38 *a* —
Bremen	78¾ *a* 78⅞	— *a* 81
Boston	⅛ *a* ¼ dis.	3¼ *a* 3⅜ pr.
New York		3¼ *a* 3⅜ pr.
Philadelphia	3¾ *a* — dis.	
Baltimore	2¾ *a* 2⅞ dis.	¼ *a* ½ pr.
Richmond	5 *a* 5¼ dis.	1¾ *a* 2 dis.
North Carolina	3¾ *a* 4 dis.	
Charleston	1¼ *a* 1½ dis.	— *a* 1 pr.
Savannah	2 *a* 2½ dis.	Par.
Augusta	2 *a* 2½ dis.	
Columbus	12 *a* 12½ dis.	
Macon	14 *a* 14½ dis.	
Mobile	7½ *a* 7¾ dis.	3¾ *a* 4 dis.
New Orleans	2¾ *a* 3 dis.	½ *a* ¾ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	10 *a* 11 dis.	8½ *a* — dis.
St. Louis	8½ *a* 9 dis.	
Louisville	6½ *a* 7 dis.	5 *a* 6 dis.
Cincinnati	9 *a* 9¼ dis.	— *a* 7 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	7¾ *a* 12	9¼ *a* 12
Mobile	7¾ *a* 11½	9¾ *a* 12
Upland	7½ *a* 10¼	9 *a* 11¼
Flour, Western Canal, per bbl.	6.00 *a* ——	
Philadelphia	—— *a* ——	6.12½ *a* 6.37½
Rye Flour	3.62½ *a* ——	3.44 *a* 3.50
Indian Meal	3.12½ *a* 3.25	2.87½ *a* 2.81
Grain—Wheat, per bush	1.25 *a* 1.35	1.30 *a* 1.37
Rye	— *a* 70	65 *a* 69
Corn	65 *a* 71	61 *a* 65
Oats	— *a* 50	43 *a* 45
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 35	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4⅜ *a* 4½	4¾ *a* —
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 9	4 *a* 9¾
Wool, American, Merino, per lb.	42 *a* 45	39 *a* 42
Common	25 *a* 30	32 *a* 34
Whiskey, Rye, per gal	20 *a* 21	19 *a* 24
Provisions, Mess Beef, per bbl.	7.00 *a* 7.75	9.00 *a* 10.00
Mess Pork, per bbl.	8.75 *a* 10.00	9.00 *a* 9.50
Hams, per lb.	6 *a* 9	6 *a* 8
Lard, per lb.	6½ *a* 7	7 *a* 8
Cheese, per lb.	6½ *a* 7½	7 *a* 7½
Rice, per lb.	4 *a* 4½	3½ *a* 4

THE UNITED STATES BANK.

In the case of the United States *versus* this bank, a verdict has been given in favour of Government for $253,000. The Bank, as a set-off, claimed damages on a protested bill of exchange, but the claim was not admitted by the jury.

The money with which Mr. Jaudon paid the interest on some of the outstanding obligations of the bank in Europe, is said to have been raised by a sale of notes of the Bank in the Philadelphia and New York markets. By thus throwing an additional amount of notes in circulation, all the holders of the United States Bank paper were injured. But what of that? It is the interest of brokers, and others who are largely indebted to the bank, to depreciate its notes as much as possible. The farther the depreciation proceeds, the easier will they find it to pay the debts they owe to the bank.

The paper of the bank is now at 37 and 38 per cent. discount. Its stock sells at about $4 a share.

EXCHANGES AT COLUMBUS, GEORGIA.

The Georgia Argus contains an "Exchange Table, corrected weekly by the Western Insurance and Trust Company of the City of Columbus, Georgia." It differs from most of the exchange tables published to the south and west of New York, in making *specie* the standard of reference, instead of the depreciated notes of the local banks. Thus, exchange on New York is quoted at 2½ *a* 3 per cent. premium, which is but little, if any thing, more than the cost of transporting specie from Columbus to New York; and the notes of the Bank of Columbus, and of the Planter's and Mechanics' Bank of Columbus, are quoted at 9 per cent. discount. This table gives the *true* rate of exchange. Most tables of the kind confound together two things which are quite distinct — namely, the rate of exchange, and depreciation of local currency.

It may be said that we ourselves do this, in giving the rates of exchange at Philadelphia. But herein we are mere copyists from the regular Commercial Lists; and the especial object of our table, is to afford an opportunity of comparing the prices of bank notes and produce and the rates of exchanges, at Philadelphia, the centre of the rotten bank system, with their prices at New York, the centre of the relatively sound. Where there is no object of this kind in view, and especially where the local currencies are at a great discount, we think it would be highly advantageous to adopt the Columbus mode of quoting exchanges. It would serve as a corrective of some very hurtful popular delusions.

RATES OF EXCHANGE.

The rates of foreign exchange are such that it continues to be profitable to export specie, and it is leaving the country in large amounts. From a table published in the New York Express, it appears that the amount exported from N. York from the 1st to the 27th of October, was $1,435,052.

This great demand at New York for specie for exportation, has caused the rate of exchange to turn in favour of Philadelphia. We know what we are saying. As measured in our depreciated local currency, exchange is against us: but as measured in specie, it is in our favour. We know of a house that last week bought a bill of exchange on New York with specie, and received for it ½ per cent. premium.

THE STOCK MARKET.

Stocks of all kinds continue dull. The par value of shares of the Pennsylvania Bank, is $400, but they will hardly bring $200. The par value of shares in the Girard Bank, is $50; but they are quoted at $22½. The par value of shares in the Philadelphia Bank, is $100. For these $58 are offered, and $60 asked.

State stocks are equally depressed. For Pennsylvania fives, $71 are offered, and $73 asked. This is lower than they have ever been before. Illinois fives are at about $40.

BANK NOTES.

On comparing the tables of October 23d and November 6th, we find that at New York Philadelphia bank notes have sunk from 3½ discount to 4; and the notes of the other banks of Pennsylvania, West Jersey, and Virginia, in about the like proportion. Ohio notes have in the same period sunk from 10 per cent. discount to 12½; Indiana from 10 to 12½; and Illinois from 10 to 12 *a* 15.

This fall is probably not owing to any increase in the amount of the local currencies of the states here mentioned; but to the great demand at New York for specie for exportation.

The Louisiana Advertiser, Oct. 27, published the whole of our chapter, "Is Paper Money cheaper than Specie?" (See No. 8) as an *editorial*. We feel gratified at the currency thus given to our sentiments; and also to the friend, who through the New Orleans Evening Post, pointed to the source whence the editorial was derived.

A communication on the subject of Paper Money in Rhode Island, we purpose to publish in our next number.

☞ The chapter on "Speculations in Bank Stock, and other Stock Jobbing," begun in our last, is concluded on the next page.

Sometimes the funds of a bank are employed in purchasing its stock, and then if the price offered is sufficiently high, those who have the management contrive to sell their own shares. In 1826, four thousand eight hundred and eighty-three shares of the Franklin Bank of New York, were bought up with the funds of the Bank, at an advance of sixty-two thousand eight hundred and fifty dollars. When an investigation was made of the affairs of this bank, in 1828, it was found there was not enough left to pay the remaining stockholders fifty cents in a dollar.

When a bank gets into difficulties, it sometimes sustains itself for a period, and affords its agents a considerable chance of profit, by allowing them to have its notes at a discount, on condition of their putting them in circulation in distant places. On an investigation of the affairs of the State Bank at Trenton, in 1825, it was proved that one of its agents had sold bills of the bank to the amount of eighteen thousand five hundred dollars, at an average discount of thirty-seven and a half per cent. The very day before the bank stopped payment, its notes were quoted in the Philadelphia Price Current, at only one and a half per cent. discount.

Every now and then the speculators find it convenient to break a bank. This enables them to purchase up the notes at a discount, and therewith pay what they owe to the bank. "There are instances," says Mr. Gallatin, "in which the stockholders, by paying for their shares in their own notes, and afterwards redeeming their notes with the stock in their name, suffered no loss; and this fell exclusively on the holders of bank notes and depositors."

In the New York American, for June 1825, the following account is given of a plan of operation which was adopted by the knowing ones of that city.

"The mode of proceeding is simple and not expensive, and acquires strength by its own action. We will illustrate it by a case. It is desired to get possession of Insurance Company A, for example. The stock bears a premium in the market, say of five per cent. Enough money is raised among the contributors to pay the premium; and the residue is borrowed from other individuals or companies, on a pledge of the stock A, at par. The original advance of the combination is thus small, and they are thence enabled to be operating in the stock of many companies at once, till, having acquired a control in the several concerns, they turn out all the old administrators, put in their own men, and then go to work again with renewed energy, and means increased by the whole amount of the capitals they have thus acquired the control of. By artful management, assiduous puffing, magnificent predictions, and supplies of stock skilfully curtailed as the demand increases, any one of the stocks thus owned, may be blown up to an absurd rate, and *spared* as a favor to the public, until the managers have sold all out, and realized their profits, leaving the new purchasers to come in and assist at the bursting of the bubble."

*

The editor of another New York paper, the Inquirer, said, in June, 1826, that certain men had, "by their bonds, rags, and hypothecation of stock, managed to control a nominal capital of nearly *four millions of dollars* in different institutions, and I do not believe," continued he, "the whole confederacy is worth one hundred thousand dollars."

The same editor afterwards gave a list of *thirty-four* Banking, Insurance, and other companies, all which, he asserted, were under the control of a certain gang of stock-jobbers.

If a legislature will only grant charters enough, the speculators will have no difficulty in providing a full "assortment" of stocks—Banking, Insurance, and of every other description that may be wanted to suit all the varieties of taste to be found in men and women who have money to part with. If they have one bank under control, they can use that as the means of putting half a dozen other corporations into active business. In this way, the Northern Bank of Pennsylvania was set a going by means of a *certificate* for thirty-five thousand dollars *said* to be deposited in one of the New York Banks: and the Sutton Bank of Massachusetts was put in operation by means of fifty thousand dollars in specie, borrowed for one day from the City Bank of Boston.

Several of the kind of doings described in this chapter, are regarded with horror by banks which have reputations to sustain. But in a view of the *whole* system, it is necessary to take them into consideration. The aggregate of loss sustained by simple-minded people, through such doings, is enormous.

Another way of making money through the medium of incorporated paper-money banks, is by dealing in government stocks. Voltaire gives us some insight into this, in one of his letters from Ferney, in Switzerland.

"Here I am," he says, "living in a way suited to my habits, and caring but little for to-morrow; for I have a friend, a director in

the Bank of France, who writes to me whenever money is to be made in the public funds. Sometimes he writes to me desiring me to sell, because the Bank is going to withdraw its notes; at other times, he bids me to buy, for we are going to issue a quantity of notes; and so, through the kindness of my friend, I always make money, though living two hundred miles from Paris."

CHAPTER XIX.

Of the Ways and Means by which Bank Charters are obtained and renewed.

WHEN a bill was under consideration in the year 1828, to renew the charter of the New York State Bank, General Root, then speaker of the Senate of that Commonwealth, made a speech, a part of which is well worthy of preservation.

"The Bank was," he said, "chartered in 1803. Who were the original applicants, and what were the representations made to the country members, it is not necessary to state: at all events, it was to be a State Bank, and a democratic one. I was urged to be a subscriber to the Bank; it was said the shares were to be scattered over the State, and the members of the legislature were to have shares. It was one of the most open, palpable, barefaced acts of bribery that can be imagined. I was induced to subscribe; but I lost all the shares but a few: they said they had lost the subscription paper, or some such thing. So I told them I would not take any. Afterwards a gentleman who came from Albany to Delaware, (*i. e.* Delaware County, N. Y.) brought me a script for eight shares. I told them I would not have any; so they kept them to themselves, I suppose."

In the year 1816, Mr. Hopkinson, of Philadelphia, had the boldness to declare to Congress, that he "considered the litter of banks lately created in Pennsylvania, as the offspring of private legislation and legislative fraud."

A few years since, a senator from Philadelphia County was heard to lament that a number of shares had been reserved for him in a certain corporation, (not a bank,) the bill for establishing which, he had assisted in passing through the legislature. The speculation turning out unfortunate, he had lost, instead of gaining, by his services as a stock-jobbing law-giver.

There was great struggling for the script of the Spring Garden Bank. But we know a member of the legislature who merely intimated his wish to have a certain number of shares in that institution, and his wish was gratified.

A distinguished statesman has lately intimated "that there is no law against the banks' subsidizing the public press." With equal truth, it may be said, that there is no law to prevent members of the legislature from partaking of the advantages of the corporations they themselves establish. Still it is proper that such facts should be known by the people.

Another great inducement with members of the legislature to vote for new banks is, that they may have the means of rewarding the township and ward politicians, the "delegates" and "conferees," to whom they are indebted for their nominations. In selecting "commissioners," they have the means of paying a debt of gratitude to some men, and of laying others under personal obligations which they hope will not be forgotten.

To get a majority to vote for a new bank, is, in some instances, no difficult undertaking. In Pennsylvania, there is a mode of running bills through both houses, known technically as "log-rolling." The figure of speech is borrowed from the practice of the original settlers, who, after cutting down the trees on their tracts of land, used to assemble together to roll the logs into heaps.—What could not be done by one man, the united strength of many made easy. In like manner, the members of the legislature who are interested in local, personal, or corporation bills, unite their strength, and roll them all through both houses. In this way, it may chance that fifty or a hundred bills are passed in the course of a session, each of which, if suffered to rest on its own merit, would have been rejected.

Many members of the legislature are averse to this practice; but some of them are reluctantly brought into it, by the refusal of the "log-rolling" members to vote for good public bills, unless their own private bills are passed at the same time.

The same system is known in the other States, by other names; and it will readily be believed, that where it prevails, special privileges will be conferred on companies under any and every pretext. Such is the effect it has on American legislation, that a stranger, on inspecting the list of acts annually passed, might suppose our State Governments had been established for the special

benefit of stock-jobbers and speculators. In 1826, the Governor of Massachusetts declared that, within the preceding five years, charters had been granted to corporations within that Commonwealth, with authority to hold thirty millions of property. This was exclusive of charters to Banking, Insurance, Canal and Rail-Road Companies. The Governor of Delaware stated, in his official message in 1825, that there were then eighty corporations in that small State.

No doubt many legislators think that, in voting for new banks, they are promoting the welfare of their constituents. But the prevalence of false views of the money corporation system, in legislative bodies, is to be attributed mainly to the exertions of those members who have a personal or political interest in establishing and supporting such institutions.

If a bank only preserves a tolerable credit, the renewal of its charter follows as a matter of course. At least, we have met with no instance on record, of refusal to renew the charter of a State bank which had not committed some open act of bankruptcy. How far a bank may be entitled to the credit it enjoys, is seldom inquired into. Too many interests are then concerned. Those who have bought stock at second-hand, know not, if the bank were compelled to wind up, if its assets would cover its debts. Some of the borrowers from the bank feel alarmed, for, if called on to pay what they owe, their insolvency may be made apparent, and the means of living in splendor be taken away from them. A clerkship of six hundred dollars per annum, makes a man a firm friend of the banking system: and he who has had an accommodation note discounted, of the amount of only five hundred dollars, feels unpleasant if you hint at the possibility of a charter's not being renewed. Such is the weakness of human nature, that if a man owns only a hundred dollars' worth of stock, it makes him less an enemy to money corporations than he otherwise might be.

Whenever the legislature creates a bank, it by the same act creates an interest sufficient to sustain that bank, under all circumstances but those of open bankruptcy. And, as if to give these various interests as much power as possible, it has been contrived in Pennsylvania, that the charters of nearly all the banks shall expire at the same time.

The extent of bank influence is not easily appreciated. It is seldom we see a "bank ticket," or a "money corporation ticket" on the election ground: but when questions are agitated which affect this interest, the banks have agents at work, whose operations are the more effective because they are unseen. The result usually is, placing the names of friends of paper money on all the tickets.

Over the periodical press, the banks have great power. Few journalists can venture to expose the money corporation system, in such plain terms as every body would understand, without risking the means of support for themselves and families. Newspaper editors have as much independence of principle as other men; but they are far from being independent in circumstances. The neglect of subscribers to pay up arrears, has brought many of them in debt to the banks. Others who are not in debt, are supported principally by the patronage of the banking interest.*

In England it is possible to assail both the ecclesiastical and the hereditary aristocracy, through the medium of the periodical press. Under all the evils the people of that country suffer, they have the consolation of enjoying freedom of discussion: but notwithstanding our boasted liberty in the United States, free and full expositions of the principal cause of our social evils would not be tolerated.†

In some respects, the banks have more power than the government itself. They hold the purse strings of the nation. They

* In a speech in Congress in 1816, Mr. Calhoun, referring to the state of the currency, said, "the evil he desired to remedy was a deep one; almost incurable; because, connected with public opinion, over which banks have a great control; they have, in a great measure, a control over the press; for the proof of which he referred to the fact, that the present wretched state of the circulating medium, had scarcely been denounced by a single paper in the United States."

† "Previous to commencing this pamphlet," says Mr. Carey, in a publication made in 1816, "and during its progress in my hands, prudence and discretion have been constantly exerting themselves to repress my zeal, and to deter me from the undertaking. They have incessantly spread before my eyes the risk of offending those powerful bodies, the directors of the banks, who have so many opportunities of making their indignation be felt, and some of whom may not be above the mean and malignant desire of availing themselves of those opportunities.

"To the soundness of these suggestions, I must freely assent. It is plain and practicable. And were I to consult my own personal advantage or comfort, I should bow down in humble submission to their authority. I am well aware of the risk I run. I know if there be at any of the boards any portion of malice or resentment, (and were there ever twelve men assembled together without a portion of malice or resentment?) it will be roused into action to persecute the man who has dared to arraign their institutions at the bar of the public, and to accuse them of gross errors, which have produced a fertile crop of misfortunes and distress to our citizens.

"Another consequence equally clear, is present to my view. One bank director, actuated by malice and resentment, would do me more injury in a day, than one hundred of those whose cause I undertake to defend, would do me good in seven years. The malice of the one would be strong, lasting, insatiable, and as vigilant as Argus, with his hundred eyes, to gratify his spleen. The friendship, or the gratitude of the others, would be cold, torpid and lifeless."

Mr. Carey was then, and at all times, a supporter of the banking system. The object of his letters was simply to investigate the *policy* of a curtailment of accommodations made by the banks.

can buy off enemies, and they have the means in various ways of rewarding friends. *Their* fund for the circulation of pamphlets is not easily exhausted. They require no formal treaties to induce them to act in concert. They are ready organized for all occasions. The direct power their charters give them, and the additional power they acquire by their diversified operations, make them all but resistless.

In the United States, there always have been, and there are now, a great number of men opposed to the money corporation and paper-money system; but their opposition has produced little effect. In the bank controversy there is, on the one side, the strong feeling of private interest supported by party discipline; and on the other side, the comparatively weak feeling of patriotism, without any aid from party organization. The friends of the banking system act in concert; its opponents act singly, if they act at all.—Against any kind of action, there are various discouragements. If a proposition is made to establish a new bank, it seems hardly worth while to oppose it, for one bank more or less can have no great effect. The question immediately occurs on such occasions, why should not these men, as well as others, be permitted to share the profits of banking? Every new bank does, indeed, increase the difficulty of reform; but the prospect of reform seems so remote as to be with many thought hardly worthy of attention.

Other difficulties arise from the system's having received the sanction of the Federal government, as well as that of the State governments. If any one of the States was disposed to establish a system of sound currency and sound credit, it would find the work impracticable, so long as a paper money bank, incorporated by the United States government, continues in existence. If a proposition is made to suffer the charter of the United States Bank to expire, we are startled with the prospect of a multitude of State banks, issuing paper without limits, and failing to redeem their notes with specie.

It ought to excite no surprise that, under such circumstances, the paper money system has, notwithstanding the great evils it has produced, been prolonged to the present time, and that it is daily strengthening and extending itself. To get rid of it suddenly is impossible. To remove it would require a regular plan of operations, the carrying of which into effect would employ a series of years. Such a plan of operations could be carried into effect by a party which would be willing to sacrifice all merely personal predilections and antipathies, for the grand object of breaking down the money corporation and paper money system, and restoring to the great body of the American people their *natural* right of acquiring property by industry and economy.

CHAPTER XX.

Summary View of the Advantages which the system gives to some men over others.

If two individuals should trade with one another on the same principle that the banks trade with the community, it would soon be seen on which side the advantage lay. If A should pay interest on all the notes he gave, and finally pay the notes themselves with his own wealth; and if B should receive interest on all the notes he issued, and finally pay the notes themselves with A's wealth, A's loss and B's gain would be in proportion to the amount of transactions between them.

This is the exact principle of American banking operations; but owing to the multitude of persons concerned, the nature of the transaction is not discovered by the public. Regard the whole banking interest as one body corporate, and the whole of the rest of the community as one body politic, and it will be seen that the body politic pays interest to the body corporate for the whole amount of notes received, while the body corporate finally satisfies the demand of the body politic, by transferring the body politic's own property to its credit.

In private credit, there is a reciprocity of burdens and of benefits. Substantial wealth is given when goods are sold, and substantial wealth is received when payment is made, and an equivalent is allowed for the time during which payment is deferred. If A took a note from B, endorsed by the richest man in the country, he would require interest for the time for which payment was postponed. But the banking system reverses this natural order. The interest that is due to the productive classes which receive the bank notes, is paid to the banks that issue them.

If the superior credit the banks enjoy, grew out of the natural order of things, it would not be a subject of complaint. But the banks owe their credit to their charters—to special acts of legislation in their favor,

and to their notes being made receivable in payment of dues to government. The kind of credit which is created for them by law, being equipollent with cash in the market, enables them to transfer an equal amount of substantial wealth from the productive classes to themselves, giving the productive classes only representatives of credit, or evidences of debt, in return for the substantial wealth which they part with.

To test the banking principle fairly, let us bring down our minds from a country to a county, and, to give definiteness to our ideas, let us in all instances make round numbers the basis of our calculation.

Suppose a county to contain a thousand families of ten persons each, and each family to be worth five thousand dollars. The wealth of the community is then five millions of dollars. One tenth of this wealth, or five hundred dollars for each family, we will suppose to be in silver money. The rest is in land, houses, and various commodities. The state of credit in this county is as sound as the state of the currency. The distribution of wealth is left to natural laws. The *production* and *acquisition* of riches are never separated. Every man enjoys what he produces, and what he saves; and no man enjoys what is produced or what is saved by another. We will suppose the income of this community to be one million of dollars, or one thousand dollars a year for each family, and that seven hundred thousand dollars of this aggregate income is derived from industry, and the rest from capital, profits being at the rate of six per cent.

In this county are ten men of a speculative turn of mind, who grow tired of working and saving, and wish to grow rich in some more easy way. They apply to the legislature for a charter for a bank, with a nominal capital of one hundred thousand dollars, divided into a thousand shares of one hundred dollars each: and their prayer is granted. It is provided in the charter, that, as soon as five dollars shall be paid on each share, the bank shall commence operations. The payment of the other instalments is, according to the custom of Pennsylvania, left to the discretion of the directors.

The business of banking is new in this county, and as none clearly understand its operation but the ten speculators, they subscribe for the whole of the stock, or for one hundred shares each. Each of them pays down five hundred dollars, making the whole capital paid in, five thousand dollars.

The bank then commences business, and issues notes to the amount of twenty-five thousand dollars. By the contrivance of 'convertibility,'' and by another contrivance by which they are made receivable in payment of dues to government, the notes become current. The notes are borrowed by the speculators. Each speculator has then two thousand five hundred dollars at command, instead of five hundred. It is true, he pays interest to the bank as a borrower: but he receives the same interest back as a stockholder. It is evident that the equality of wealth is destroyed. The possession of a moneyed capital so much greater than that of his neighbors, will give him advantages in trade equal to double the amount of interest. But estimating his advantages as equal to only six per cent., his annual income is increased from one thousand dollars to one thousand one hundred and twenty. His five hundred dollars, which formerly yielded him but thirty dollars in a year, are now, by their conversion into bank stock, made to yield him one hundred and fifty; for each metallic dollar is, by this contrivance, made to produce to him as much as five did formerly.

But this is only the first operation of the bank. Some of the families in the county deposit their silver in the vaults of the bank for safe-keeping. Other families, finding that bank notes serve all the purposes of domestic trade, export their silver. This creates a new demand for bank notes as a circulating medium. In time, the bank finds that its permanent deposits of silver are not liable to be reduced beyond a certain amount; and to increase its profits, it lends a great part of the silver to those who export it.

It may require some years to bring the machine into complete operation. The "prejudices" of some men against paper, and in favor of metallic money, are not easily subdued. But even those with whom the "prejudices" remain, are brought at length, through the force of example, through necessity, or through some other cause, to make deposits in bank, and to pay and receive bank paper. Bank medium then becomes the money of the county: and as soon as this is effected, the regular receipts of the bank may be estimated as follows:

On $100,000 of bank notes lent at $6.40	$6,400
On $100,000 of active bank credit lent,	6,400
On $100,000 of silver deposited by some, and lent by the bank to others who export it,	6,400
	$19,200

On this supposition, two hundred thousand dollars in metallic money will be left in the county, half of which may be in the vaults

of the bank, and the other half circulate as the medium of retail trade.

In our haste we passed over the payment of the second, third, and subsequent instalments of the stock. It was not of such moment. The payments were merely nominal. The speculators could easily have paid all the instalments, after the first, by the profits derived from the operations of the bank itself. But where would have been the use of this? The money, if paid in, would have been lent and exported. It would have added something to the income of the bank. But each speculator can make as much by keeping it in his own hands. The original sum of five thousand dollars, and so much of the silver of depositors as is retained, are sufficient to support the credit of the bank. Each of the speculators, therefore, throws in a note for five hundred dollars when the second instalment becomes due. The bank discounts it; pays out its own paper at one counter, and receives it back at another, or, perhaps, only makes a new credit entry in its books. It is true, that the speculators are made debtors to the bank for a certain amount as borrowers: but they are credited with an equal amount as stockholders: and in this way the whole of the remaining instalments may be arranged. By this contrivance the sum of ninety-five thousand dollars will be added to the debts due to the bank, but nothing to its circulation or responsibilities.

The time has now come, in which the speculators may sell a part or the whole of the stock. They may with safety dispose of seven hundred and fifty shares, to widows, orphans, and literary and charitable institutions, for these will never interfere with bank management.

We will deduct nine thousand two hundred dollars from the gross income of the bank, for expenses, losses, and reservations for a contingent fund. It will then be able to divide ten per cent. on its nominal capital: and at the rate at which permanent annuities are valued, stock yielding ten per cent. will be estimated as worth in the market one hundred and fifty dollars a share. Each of our speculators sells seventy-five shares of his stock at this rate, or for eleven thousand two hundred and fifty dollars, and invests the proceeds in lands, houses, or merchandize. The risk of payment to the bank of the notes discounted, he transfers to the purchaser of the stock.

Thus we see that our ten speculators have, by the "*judicious*" use of five thousand dollars of metallic money, got transferred to them one hundred and twelve thousand five hundred and fifty dollars' worth of real and personal estate. Retaining two hundred and fifty shares of stock, they keep the control of the institution in their own hands.

Now we pretend not to say that the accounts of any one of our American banks would, if faithfully exhibited, accord in every particular with this supposed case. Their profits do not appear to be usually as great: but extreme cases serve best to illustrate *principles*, and these are the *fundamental* principles of the American banking system. A small amount of metallic money is paid in: the other instalments are arranged by the discounting of stock notes. The bank extends its operations by discounts on deposits, and by substituting a paper for a metallic medium: and at a suitable time, the founders of the bank sell a portion of the stock, and invest the proceeds in lands, houses, and merchandize.

The Bank of Chester County had, on the third of November, 1829, a capital of ninety thousand dollars, notes in circulation to the amount of two hundred and nine thousand and sixty-four dollars, and deposits to the amount of one hundred and sixty-six thousand three hundred and seventy-four dollars. The specie in its vaults amounted to sixty-one thousand four hundred and sixty-two dollars, and the investments on which it was drawing interest amounted apparently to four hundred and fifty-one thousand six hundred and sixty-three dollars. The circulation and deposits of the Bank of Chester were altogether three hundred and seventy-five thousand four hundred and thirty-eight. Those of the bank in the case supposed, for the sake of illustrating the principle, were only three hundred thousand dollars. The investments of the Bank of Chester, yielding interest, amounted to four hundred and fifty-one thousand six hundred and sixty-three. Those of the supposed bank, to only three hundred and ninety-five thousand, including the stock notes of the ten founders of the bank.

It may be, that the whole ninety thousand of the capital of the Bank of Chester was paid in, without any resort to discounting of stock notes, or any similar contrivances. But if it was, there was nothing in the principles of the system to prevent the stock of the Bank of Chester from being filled up in the way which is usual in establishing new banks in America. The Bank of Chester County having gone into operation in the year in which specie payments were suspended, the filling up of its stock must have been an easy process, whatever method was adopted.

As it is public credit that supports the banks, and not the banks that support public credit—as the deposits of the banks are the property of the community generally, and as the profits derived from circulation come from the community generally, they ought to go to the community generally, and be used (if used at all) to lighten the burdens of taxation. "If," says Ricardo, "a charter were about to expire, the public might question the policy of permitting a company to enjoy all the advantages which attend the supplying of a great country with paper-money. Paper-money may be considered as affording a *seignorage* equal to its *whole* exchangable value—but seignorage in all countries belongs to the State."

If, after the manner of the Scotch banks, the American banks paid four per cent. interest on deposits, and granted discounts at the rate of five per cent., there would be something like equity in this department of their operations, for one per cent. would not be more than a fair commission. But they allow no interest on deposits, except in New England and at times in Baltimore; though it is, in point of fact, through the means of the deposits, that they support the credit of the notes they have in circulation.

But the reader will have a very imperfect idea of the advantages the present banking system gives to some men, if he extends his view no further than to the profits derived from trading on deposits, from substituting a credit medium of commerce for a metallic medium, from the formation of bank stock *secundum artem*, and from the subsequent exchange of that bank stock for lands, houses, and merchandize.

In addition to this, he must take into consideration—

What some have gained and others have lost, by the various kinds of stock-jobbing and usury, to which banking has given rise:

What some have gained and others lost, by that fluctuation of prices which is produced by "contractions" and "expansions" of bank medium, and which has made most kinds of business more uncertain than a lottery:

What some have gained and others lost, through that super-extended system of commercial credit, which has its origin and support in banking:

What some have gained and others lost, by the breaking of upwards of one hundred and sixty banks between the years 1811 and 1830:

What some have gained and others lost, through the circulation of counterfeit notes:

What some have gained and others lost, by receiving genuine notes at one rate, and passing them at another:

Let him add all these accounts together, and he will have a pretty correct idea of what some have gained and others have lost by the *direct* operations of the system.

CHAPTER XXI.

Of the Remote Consequences of the System.

Our view of the extent to which paper-money banking affects our social condition, will be very imperfect, if we confine it to the *direct* operations of the system. These are, as it were, but the first links of a long extended chain. Each effect becomes in its turn a cause; and the remote consequences are of more importance than the immediate. To prove this, a few plain truths will suffice.

If two men start in life at the same time, and the one gets, at the commencement, but a small advantage over the other, and retains the advantage for twenty or thirty years, their fortunes will, at the end of that period, be very unequal.

If a man at the age of twenty-one years, is deprived of one hundred dollars which he had honestly earned, and honestly saved, the injury done to this man must be estimated by the advantage he would have derived from the use of his little property during the rest of his life. The want of it may prevent his turning his faculties to the best account. The loss may dispirit his future exertions.

If a man is, at any period of his life, deprived of a property, large or small, accumulated for him by the honest industry and economy of his ancestors, the wrong done to him is of the same character as that which he sustains when he is unjustly deprived of property which was the fruits of his own industry. It is the dictate of nature that parents shall leave their wealth to their children, and the law of the land, in this case, only confirms the dictate of nature.

It is not easy to set bounds to the effects of a single act of injustice. If you deprive a man of his property, you may thereby deprive him of the means of properly educating his children, and thus affect the moral and intellectual character of his descendants for several generations.

Such being the consequences of single

acts, we may learn from them to estimate the effects of those political and commercial institutions which operate unequally. They lay the foundation of an *artificial* inequality of wealth; and whenever this is done, the wealth of the few goes on increasing in the ratio of compound interest, while the reflex operations of the very causes to which the few owe their wealth, keep the rest of the community in poverty.

Where the distribution of wealth is left to natural and just laws, and the natural connection of cause and effect is not violated, the tendency of "money to beget money," or rather of wealth to produce wealth, is not an evil. A man has as strong a natural right to the profits which are yielded by the capital which was formed by his labor, as he has to the immediate product of his labor. To deny this, would be to deny him a right to the whole product of his labor. The claims of the honest capitalist and of the honest laborer are equally sacred, and rest, in fact, on the same foundation. Nor is it the law of nature that the idle and improvident shall suffer temporary inconvenience only. By neglecting to form a capital for themselves, they render their future labor less productive than it otherwise might be: and finally make themselves dependant on others for the means of both subsistence and employment.

But unequal political and commercial institutions *invert* the operation of the natural and just causes of wealth and poverty—take much of the capital of a country from those whose industry produced it, and whose economy saved it, and give it to those who neither work nor save. The natural reward of industry then goes to the idle, and the natural punishment of idleness falls on the industrious.

Inasmuch as personal, political, commercial, and accidental causes, operate sometimes in conjunction and sometimes in opposition, it is difficult to say, in individual cases, in how great a degree wealth or poverty is owing to one cause or to another. Harsh judgments of rich and poor, taking them individually, are to be avoided. But it is notorious that, as regards different *classes* in different countries, wealth and poverty are the consequences of the positive institutions of those countries. Peculiar political privileges are commonly the ground of the distinction: but peculiar commercial privileges have the same effect: and when the foundation of the artificial inequality of fortune is once laid, (it matters not whether it be by feudal institutions or money corporations,) all the subsequent operations of society tend to increase the difference in the condition of different classes of the community.

One consequence of unequal institutions is increasing the demand for luxuries, and diminishing the effective demand for necessaries and comforts. Many being qualified to be producers of necessaries, and few to be producers of luxuries, the reward of the many is reduced, and that of the few raised to an enormous height. The inventor of some new means of gratification for the rich, is sure to receive his recompense, though thousands of able-bodied men may be starving around him.

This may be illustrated by a case drawn from England, where the favorite opera-singer receives her thousands per annum, while the able-bodied agricultural laborer is forced to draw on the parish-rates for subsistence.

Something similar to it may be found in our own country, where the second-rate singers, dancers, and players of Europe, accumulate fortunes in a few years, while multitudes of humble but useful women in all our large cities, struggle hard for the means of a bare subsistence.

Now there is no cause of complaint in people's lavishing their thousands on favorite singers and dancers, if those thousands have been honestly earned and fairly got. But if they owe their thousands to political or commercial institutions, operating specially to their advantage, those political and commercial institutions are not of the kind most conducive to social happiness.

Through all the operations of business, the effects of an unequal distribution of wealth may be distinctly traced. The rich have the means of rewarding most liberally the professional characters whom they employ, and the tradesmen with whom they deal. An aristocracy in one department of society, introduces an aristocracy into all.

These effects are, it is true, most obvious in countries where the causes of an artificial inequality of wealth are of a permanent character, and interwoven with political organization: but they can be discovered in our own country. The inequality of reward our lawyers and physicians receive, is caused but in part by inequality of talent. It is owing in part to the inequality of the means of those who employ them: and in part to the disposition the many have to prefer the lawyer or the physician who is patronized by the rich and fashionable. They feel that their own education disqualifies them for forming a proper estimate of professional talent, and they take the judgment of those who they suppose must, from their superior wealth, have better means of information.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, November 24, 1841. No. 11.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
MR. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
MR. J. R. COLON, *News-vender*, 203½ Chesnut street,

NEW YORK—Mr W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

Communicated.

RHODE ISLAND AND PAPER MONEY.

Extract from "America Dissected, &c.,—by a Reverend Divine of the Church of England:—Missionary to America, and Doctor of Divinity.—Dublin, 1753."—

"The Novanglians in general, the Rhode Islanders in particular, are the only people on earth who have hit on the art of enriching themselves by running in debt. This will remain no longer a mystery, than I have related to your Honor that we have no money among us, but a depreciated paper currency: and this in the current of thirty years has dwindled down from 6*s*. and 8*d*. to 4*s*. per ounce. He who disposes of his goods on long credit, and another who lends his money at 10½ or even 15 per cent., the first loses his profits, and the last some of his principal, besides all the interest. Indeed, a new act of the British Parliament, ill penned, passed last winter to restrain us; but such things are only *Bruta Fulmina*, and we shall go on, I doubt, in our old way of Paper Emissions, unless the Lord in mercy to us should dispose the Sovereign Power to vacate our Patent, and prevent our destruction by taking us out of our own hands!"

Extract from a letter in the Madison Papers, from James Madison to Edmund Randolph—1787.

"Rhode Island has negatived a motion for appointing deputies to the Convention by a majority of twenty-two votes. Nothing can exceed the wickedness and folly which continue to reign there. All sense of character as well as of right is obliterated. Paper Money is still their idol, though it is debased to eight for one."

Extract from a letter from James M. Varnum to General Washington—1787.

"The majority of the administration is composed of a licentious number of men, destitute of education, and many of them void of principle. From anarchy and confusion they derive their temporary consequence; and this they endeavor to prolong by debauching the minds of the common people, whose attention is wholly devoted to the abolition of debts, public and private. With these are associated the disaffected of every description, particularly those who were unfriendly during the war. Their paper money system, founded in oppression and fraud, they are determined to support at every hazard; and rather than relinquish their favorite pursuit, they trample upon the most sacred obligations."

In 1837, the news of the suspension of specie payments in the city of New York was received *with cheers* by the people of Providence, who were assembled at the steam-boat landing, when the boat arrived which brought the intelligence.

In 1841, at the extra session of Congress, one of the Representatives from Rhode Island delivered a speech, wherein he defended suspensions of specie payments by the banks, on the ground that they were beneficial to the people, by enabling them to discharge debts contracted in a good currency, by payments in a depreciated currency! "Paper money is still their idol."

GOLD AND SILVER MINES.

We are informed that a gold mine, which promises to be very extensive and unusually rich, even for this "gold region," has lately been discovered on the land of a Mr. *Morrison*, thirteen miles east of Charlotte. The richest ore is found in what miners call "pockets." One specimen we saw, about three times as large as a dollar, contained one hundred and forty pennyweights of gold. The ore, so far as the mine has been worked, averages from ten to twelve pennyweights of gold to the bushel.—*Mecklenburg* (*N. C.*) *Jeffersonian.*

We have received a communication, detailing some particulars of a silver mine recently discovered in Stafford county, Va., by Wm. Davy. The vein is said to be extensive, and the ores very rich. We have seen specimens of the silver. A competent judge, Mr. Penman, is engaged in examining the mine, and will lay before the public the result of his investigations as soon as they are completed.—*Fredericksburg* (*Va.*) *Arena.*

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. VII.

Wednesday.—Turned a penny to-day in a way I am almost ashamed to narrate, but in these hard times one must not be over scrupulous about the ways and means one takes to get ways and means to pay one's just debts.

A poor, hardworking Loco-Foco, a boot and shoe maker, whose stock in trade, and house furniture together, were worth about a thousand dollars, applied to me some time ago for a loan of five hundred. From my anxiety to assist the poor, which has always been the leading passion of my life, I readily lent him the money, taking a bill of sale of all his goods and chattels, by way of collateral security. It so happened that I wanted the money back sooner than I had expected, and sooner than Loco-Foco was prepared to pay it. The consequence was, that all his stock in trade, and his furniture, became my property. His wife and children were much afflicted at the loss of their little all, and so should I have been too, if the man had not been a hard money man in his sentiments, and, of course, an infidel.

So far all was well. I got the boots and shoes, leather straps, lap-stones, and all, of Loco-Foco. To-day an opportunity occurred of disposing of them to advantage. Another Loco-Foco, a flour dealer, applied to me for a loan of fifteen hundred dollars. Told him I had it not to lend, but was willing to let him have my note for three thousand dollars, which I could insure him would be promptly discounted at our bank. Loco said fifteen hundred were all he wanted. Told Loco I could not think of engaging in so small a transaction; but that if he would take his brother Loco's shoes and boots, and pots and pans, and beds and bedding, at a valuation of fifteen hundred dollars, (which I esteemed very low) and would give me a mortgage on his own house for the remaining fifteen hundred dollars, he should have the note for three thousand *instanter*. Loco demurred to this. What could he, a flour dealer, do with boots, shoes, lasts and lap-stones? Told him that no doubt, his brother Loco, the original owner of them, would be very glad to buy them of him, *on credit*. However, I did not wish to press the subject on him. Loco-Foco spent several hours in running about town, trying to raise the money in some other way, but as all the banks had come to a resolution not to advance a cent to any person at all infected with the horrible doctrines of Loco-Focoism, and as the brokers all knew that there was a negotiation then pending between him and me, and they did not like to offend me by interfering, he found his only chance of saving himself was in accepting my offer. He paid me fifteen hundred dollars in hand for the shoe-maker's stock and furniture, and the shoe-maker has got his lap-stones back, which rather pleases me, though he is a Loco-Foco, and, of course, an infidel. As for flour dealer Loco-Foco, his house adjoins some property of mine; and when I get possession of it, I can make some valuable improvements there which I have long had in contemplation. It cannot be long before the transfer will take place. The very means the flour dealer has taken to extricate himself from one difficulty will lead him into others, and the house is as certainly mine as if I had already the title deeds.

Thursday.—Received to-day some very wrathful letters from a bevy of farmers who had wished to emigrate to the West, and to whom I had sold certain choice spots on Newcraft's celebrated three million acre tract. They find the whole of the land they bought of me, ten feet under water. I cannot help *that*. I sold it to them as I bought it. The law maxim, *caveat emptor*, "let the purchaser be on his guard," plainly applies to this case. After all, they have got a good bargain. The alluvial which the western rivers deposit is very rich; and I have no doubt that in about fifteen years these lands will all be in a fit state for cultivation.

I had hardly finished these wrathful letters, before Quilp, and Digby, and Askincellos, and I know not how many more of our first men, all beset me, because of certain doings of mine, to which I am sure that none of them can have any objections, except that they do not share in the profits. Taking for my example certain officers of the *pattern* bank of the United States, I have, when the market rate of interest was two or three per cent. per month, objected to our board's discounting the notes of the most able merchants at bank rates, because money was worth more in the street. Still, that the merchants might not suffer, I have invariably directed my private broker to discount their notes at the market rate of interest, that is to say, two or three per cent. a month, as the case may be. He then brings the notes to me. I mark on them the initial letter of my name.—He carries them to the first Teller, who immediately lets me have the money for them, at bank interest, without consulting the board of Directors.

It is a snug way of doing business, I confess. But as I have, at no one time, borrowed in this way more than 300,000 dollars from the bank, at about 6 per cent. per annum, and lent the same to the merchants at about 36 per cent., I have not in any one year realized more than 90,000 dollars from this source.* I know not why Quilp, Digby, and Askincellos should complain of this. They indeed gain nothing by it: but neither do they lose any thing by it. Envy, however, is so deeply seated in some minds, they cannot regard the smallest good luck on the part of another, with any feelings of complacency.

Friday.—Well, there is one of my children, at least, with whom I have abundant cause to be satisfied. My second son, Bob, who set out a few years ago with nothing but a letter of advice (not a letter of credit) from me, has returned home with a fortune of at least half a million.

To relate Bob's story would be as good as to write a treatise on banking, for it illustrates all the art and mystery of our craft. When Bob arrived at his place of destination he had not one cent in his pocket, but he so ingratiated himself

* We have heard of such doings as this in a certain great bank in Philadelphia: but can it be possible that they take place in the well regulated banks of Boston?—*Ed. Jour. of Banking.*

with his landlady and his washerwoman, that they made no demand for payment for a whole month, and by this time he had established so good a credit with the storekeepers and other substantial residents, that he found it easy enough to pay his board and incidental expenses. When those from whom he borrowed wished to be repaid, he always got the means by borrowing from others. Being an industrious, enterprising lad, he immediately set to work to establish a bank. He found some who were as needy as himself, but not half as knowing, easily persuaded to sign a petition to the Legislature for a charter. The substantial class of citizens he did not at this time suffer to participate in his operations. Bob borrowed the money to pay the expenses of his journey to the State Capital, borrowed the money to support himself while there, borrowed the money to buy the Champagne with which he drenched the members of the Legislature, borrowed the money to pay for the sumptuous dinners and suppers with which he feasted them; and, finally, after he had got a bill passed exactly to his liking, borrowed the money to carry himself to his new home. It was amusing enough to hear him relate how he worked his way along—how by treating one member to a bottle of Champagne, he thereby ingratiated himself with that member so as to borrow enough from him to treat another member, and so on, till he had treated them all round, and then begin again. When he got back to his new home, he had to borrow money enough to buy blank books, and pens and ink, wherewithal the commissioners might receive subscriptions for the stock of the new bank. The number of shares being duly subscribed, the first instalment was paid in, in coin borrowed for one half-hour from various friends in the neighborhood. Having the example of moral and religious New England before him, Bob had no scruple in swearing that the coin paid in was the property of the bank. At this crisis a difficulty occurred that was truly alarming. The engraver who had the bank notes prepared, refused to deliver them up except for cash. But Bob, whose resources of mind are equal to any exigency, got over this difficulty in a way he did not tell me, and then by buying desks and a counter on credit, brought the bank into immediate operation. At first the more substantial inhabitants were shy about receiving the notes, and still more shy about touching the stock of the bank. By little and little, Bob dispelled their fears. By circulating his notes at a distance from the bank, he kept them out a long time. By various means, he contrived to accumulate a stock of specie, the whole of which he displayed most ostentatiously on his counter, and then that it might be generally known how abundant specie was with him, he had his agents out who, under one pretext or another, used to request their friends as a matter of favor to go to the bank and get notes exchanged for them. As the silver thus paid out, came back the same day, Bob made a small sum effect a great many exchanges. By arts like these, the notes of Bob's Bank became current in the whole country round, and he found one dollar in silver quite sufficient to support a circulation of twenty in paper. The more substantial citizens still showed little disposition to touch the stock; but when at the end of six months, the bank declared a dividend of ten per cent., they became so eager to bite, that Bob's first impulse was to sell all out, and let them have the whole concern to themselves. A little reflection convinced him that this would be folly. He, however, *as a favor*, parted with a few shares to some three or four of the most wealthy, and whose habits were such that he was sure that they would never interfere with his management. By these means he increased the anxiety of the others to buy, and inspired such general confidence in the bank, that all the spare cash in the neighborhood was left with him for safe-keeping. Being a good Democrat—that is to say, a Democrat *by trade*, (heaven forefend that any son of mine should be a Democrat *in principle*)—being a good Democrat by trade, he got a snug slice of the public deposits. Then commenced scenes of unexampled prosperity. The prices of property of all kinds were doubled, trebled, quadrupled. Enterprises of all kinds were invigorated. The whole style of living was changed. The young women forsook their spinning and knitting, to play upon pianos and dance cotillions. The young men laid down their mechanical tools and agricultural implements, that they might partake of the gentlemanly recreations suited to their age. The great increase of wealth, and the advance of refinement which accompanied it *pari passu*, were, as Bob describes it, equally gratifying and astonishing. It really did my old heart good, to hear that a son of mine had, while advancing his own fortune, done so much towards promoting the prosperity of his country. But who can stand up against the atrocious experiments of our detestable Government? Even the "great financier," with his thirty-five millions of capital has sometimes quailed; what wonder, then, that my son Bob's bank, which began business without any capital at all, should be brought into straits. I do not allude here to its stopping payment in common with the other banks of the country: *that* was a blessing to both the banks and the community. But, through a series of disasters, the notes of Bob's Bank became greatly depreciated, till at length the other banks refused to take them at all, and then they became worth nothing. Bob was game to the last. He saw the storm approaching when he was the principal debtor to the bank. One by one he drew out all the notes on which he was indebted, by prevailing on the other directors to receive in their place, the notes of other men he had on hand, men, which his enemies say, were men of straw; but Bob, on his honor, assures me, they were all first rate men, and equal at least to the Rathbuns, the Hermans, &c. &c., up to the very day before that on which they stopped payment. Bob thus got payment of all the debs that were due to him, and paid all the debts that he owed, leaving him unencumbered productive property of the value of five hundred thousand dollars. He did, indeed, lose a little on his bank stock, but he does not regard this, having sold out the greater part of his shares at an enormous advance, and retained so many only as were necessary to qualify him for the office he held in the bank.

I will pit my son Bob against any man's son in the country, "the great financier" alone excepted. Such a son would rejoice any father's heart.

RESUMPTION OF SPECIE PAYMENTS.

The reader may believe it or not, just as he chooses, but the fact is, that we did not go very heartily for the last resumption of specie payments—we mean for the *twenty days' resumption.* The simple truth is, we were well convinced then that the banks could not *maintain* specie payments; and we could see no use in their resuming merely to suspend again. We could see no use in their subjecting the people to all the evils which follow a contraction of currency, merely that that contraction might be followed by another and a greater expansion.

And yet, we must confess, that in one respect our sagacity was at fault. We thought the banks, if they resumed, might continue specie payments for about *three months:* but less than *three weeks* exhausted all their means. The very brokers were, however, caught napping on that occasion.

The popular cry is now for resumption of specie payments, and we join in it. Something must be done, for matters are growing worse and worse every day. Specie is daily leaving the country in large amounts, being driven out of circulation by inconvertible paper; and the rates of exchange at New York, on Pennsylvania, Virginia, Ohio, Indiana, and Illinois, are rising instead of falling. Throughout the suspended region, the banks generally appear to be making no preparations for resumption; and many of them seem to be shaping their course with a view of preventing specie payments during the life-time of the present generation.

Specie payments ought to be resumed as speedily as possible; and the question is, how can this result be most easily effected. After reflection on the subject, we have been brought to believe that the best way will be by *appealing to the interest of the banks.* This may be thought derogatory to the dignity of sovereign States. But the truth is, that when a State Government creates a paper money aristocracy, it creates something which is more powerful than itself. The *interest account* of each bank is the only safeguard we have against the abuse of the privileges conferred on it by its charter: and we must *make it the interest* of the banks and bankers to do justice to the community.

A majority of the members of the State Legislatures, about to be convened, have been elected as friends of bank reform. But how long will they remain so? A majority of the members of the Legislature of Pennsylvania are generally friendly to bank reform at the commencement of a session: but before its close, a majority are generally opposed to it. The influence of the banks does not cease at the close of the polls. It is felt with great force in the Legislative halls. The sophistry of the bank orators deludes some very honest men. Others are frightened by representations of the inconveniences which bank reform, in its first stages, must necessarily produce. There still remains a numerous class that can be neither frightened nor bamboozled: but some of these may be *bought.* And this, in modern parlance, is not "bribery and corruption." For what were banks instituted but to lend money? And where is the clause in their charters, that prohibits their lending liberally to members of the Legislature?

Our judges, too, present no small obstacles to bank reform. When questions come before them which affect banking interests, they too often show by their decisions, that the boasted independency of the judiciary is little more than an independence of common sense and common justice. It is chiefly owing to the misconduct of the Judges, as we learn from the Ohio papers, that the banks in that State have so long been able to bid defiance to the laws.

Such, then, being the constitution of our Legislative bodies, and of the Judiciary, if any very stringent measures are proposed, they will probably not receive legislative sanction: or, if they should, the judges will exert their ingenuity to find some flaws in the acts which will render them nugatory.

Our only safe course, then, is to appeal to *the interests* of the banks: and this we do if we prohibit them from making any *dividends*, or any *loans or discounts*, to any stockholder or officer of the banks till after they shall have resumed specie payments, and have sustained the same for at least three months.

The banks have now an interest in refusing to pay specie, because thereby they can make larger dividends, and larger loans to their stockholders, than would otherwise be practicable. Let their interest lie the other way, and they will shape their course to suit their interest. We have always believed that the prohibition to make dividends while in a state of suspension, was the efficient cause of the resumption of specie payments by the banks of New York.

One advantage that will attend this mode of proceeding will be, that it will carry public opinion with it. Even the paper money men (at least such of them as retain any degree of rationality) will not object to means which simply prevent the

banks and bankers from reaping a profit through the violation of their engagements.

Another advantage will be, that it will cause the inconveniences of the contraction of currency, which must necessarily precede a resumption of specie payments, to fall first on bank stockholders and bank officers; and on them it ought, in justice, to fall.

There may, however, be some States in which it may be advisable to resort to more stringent measures. There may be some States, in which it may be advisable to say that the banks shall resume specie payments on or before a certain day, or else go into liquidation. In recommending the milder course herein suggested, we have reference to the immense influence which the bank power exercises, in most of the States, over members of the Legislature, over the Judiciary, and over public opinion. We have, to use a common expression, "got our hand into the lion's mouth, and we must get it out as well as we can."

But, whatever laws are passed, let it not be left to the option of private individuals to carry them into execution. In Kentucky, as we learn from the Frankfort Yeoman, no act has been passed to sanction the suspension of specie payments; yet the banks there, pay as little regard to the laws where it is left to private individuals to enforce them, as they do in Ohio, where the Judges have interfered to prevent the laws' having their just operation.

It should be the especial duty of certain State officers, to enforce the State laws for the regulation of the State banks.

PAPER AND SPECIE.

In a subsequent part of this number will be found some remarks on "*The evils that would be produced by the sudden dissolution of the system*" of paper money banking, and on "*The proper mode of proceeding*" in order to get rid of it.—Great changes have necessarily occurred in the ten years that have elapsed since those remarks were written, yet these changes do not affect any of the *principles* therein laid down, as they are only changes in *proportions.*

Then the current credits of the banks (circulation and deposits taken together) amounted to about one hundred and nine millions. Now they amount to about one hundred and eighty millions.

Then the amount of specie in the country was about thirty-two millions. Now it is estimated at about eighty millions.

Then the gross income of the nation was estimated by writers on statistics at about one thousand million dollars per annum. Now it is estimated at about one thousand five hundred millions.

Then, our exports of domestic produce amounted to between fifty and sixty millions annually.—Now they exceed one hundred millions.

The bank burden has been increased in the last ten years: but the ability of the people to throw it off, has increased in at least an equal proportion. We have now a much larger quantity of surplus produce wherewith to purchase abroad so much gold and silver as would be requisite to give us a sound circulating medium.

GOLD AND SILVER COINAGE.

Since our chapter entitled "*Of a new gold coinage*," was first published, a new adjustment has been made at the Mint of the ratio of gold and silver: but we have left the chapter unchanged, because we believe the principles therein laid down to be correct, and think they ought to be acted on, when changes in the relative value of the precious metals, in future years, shall call for new adjustments of the Mint ratios.

To the honor of the American Government be it stated, that it has never, since the adoption of the Federal Constitution, made any change in the quantity of pure silver contained in the *money unit*—the silver dollar. Before the law was passed for establishing the Mint, a few dollars were, indeed, coined, containing 376 grains of pure silver. But very few of these were thrown into circulation—so few that they never became the practical standard of value.

The act for establishing a Mint was passed on the 2nd of April, 1792. It provided that *the dollar* should contain $371\frac{1}{4}$ grains of pure silver, and $44\frac{3}{4}$ grains of alloy, or 416 grains of silver, of which, in every thousand parts, $892\frac{89}{208}$ should be fine: and that *the eagle* should contain $247\frac{1}{2}$ grains of pure gold, and $22\frac{1}{2}$ grains of alloy, or 270 grains, of which, in every thousand parts, $916\frac{2}{3}$ should be fine.

Under this act, the ratio of gold to silver, at the American Mint, was 15 to 1: that is to say, fifteen ounces of pure silver were regarded as of equal value with one ounce of pure gold.

These proportions remained unchanged till the 28th of June, 1834. Then, in consequence of a rise having taken place in the market value of gold as compared with silver, an act was passed, establishing the Mint ratio at $16\frac{1}{464}$ to 1: that is to say, estimating one ounce of pure gold as worth sixteen ounces, one grain, and $\frac{1}{25}$ part of a grain of pure silver.

This act reduced both the weight and the fineness of our gold coins. It provided that *the eagle* should contain 232 grains of pure gold, and 26 grains of alloy, or 258 grains in all, thus diminishing the quantity of pure gold in the eagle $15\frac{1}{2}$ grains, and increasing the alloy $3\frac{1}{2}$ grains. In every thousand parts, there were to be $899\frac{29}{129}$ of pure gold.

This law remained in force only two years and a half. On the 18th of January, 1837, another act was passed by Congress, chiefly with the design of causing both the gold and silver coins to contain the same proportions of alloy—that is to say, of causing each to contain, in every thousand parts, nine hundred parts of pure metal, and one hundred parts of alloy. This act reduced the weight of the dollar from 416 to

$412\frac{1}{2}$ grains; but the reduction is wholly in the alloy. Dollars coined under the act of 1837, have in them the same quantity of *pure silver* as dollars coined under the act of 1792, namely, $371\frac{1}{4}$ grains: but the alloy is reduced from $44\frac{3}{4}$ to $41\frac{1}{4}$ grains.

This act increased in a very slight degree the fineness of our gold coin. Eagles coined under it should each contain $232\frac{1}{5}$ grains of pure gold, and $25\frac{4}{5}$ grains of alloy. They differ from the eagles coined under the act of 1834 only in containing one-fifth of a grain *more* of pure gold, and one-fifth of a grain *less* of alloy.

Under this act, the Mint ratio of gold to silver is 15.988 + to 1. In other words, an ounce of pure gold is regarded as worth sixteen ounces of pure silver—less five grains and $\frac{25}{43}$ parts of a grain.

We trust that there will be no more alterations in the weight or fineness of either the eagle or the dollar. The proportion of alloy that each now contains, being one-tenth, is such as can be easily remembered. When new variations arise in the value of gold and silver as compared with one another, either let gold pieces be coined of entirely new denominations, or else let gold be issued from the Mint in ounces, and parts of the ounce, avoirdupois, and suffered to pass in the market for whatever it may be worth.

BANK FAILURES.

The Bank Commissioners have served an injunction on the Commercial Bank of Buffalo, N. Y. It is said it will have the means of paying its note holders, but that of the original capital of 400,000 dollars, little or nothing will be left for the stockholders.

One year ago, there were sixteen banks in operation in the city of Buffalo. Now there is only one.

BANK DEFAULTS.

Mr. B. W. Green, who, by the connivance of Mr. Dabney, one of the officers of the institution, took in an irregular way about 550,000 dollars from one of the banks at Richmond, Virginia, has had a trial, in which the jury, after retiring for about half an hour, brought in a verdict of not guilty. He was thereupon remanded to prison, to answer *twenty-three* indictments remaining against him. Bail was offered, but was refused by the Judge.

The Richmond Compiler says, that when the jury brought in a verdict of not guilty, "a yell of applause burst forth from the densely crowded auditory, which defies description now, as it did then all efforts to repress it."

An investigation is going on in New Orleans, of a financial transaction, in which N. F. Comly, formerly of Philadelphia, is concerned. He is charged by the President of the Canal Bank with being accessary to converting the funds of the New Orleans Canal and Banking Company, amounting to $60,484, to his own use, the paying teller of the bank, C. L. Ducatel, being the principal.

THE UNITED STATES BANK.

It is said that some of the creditors of this institution, have brought suits against certain members of a former Board of Directors, who assented to the declaration of a dividend at a time when they must have known that the bank had no means of making any dividend except out of its capital. It is asserted that one clause in the charter of the bank makes the Directors responsible in their private capacity for the amount of dividends so declared.

As a similar clause is to be found in the charters of most, if not all of our banks, the Directors of the United States Bank are not the only ones against which such suits may be brought.

The Government of the United States, it is said, has filed a bill in equity, the object of which is to annul all the assignments made by the bank. "If this suit should be successful," says the Public Ledger, "it will take the seven millions of securities assigned to secure the seven millions of post notes held by the city banks, and divide them among the creditors *pro rata*. And what then becomes of the banks?"

The notes of the United States Bank are now at a discount of 37 to 40 per cent. in currency. The fluctuations in the value of these notes are very great. Those who owe large sums to the bank, have an interest in depressing the value of the notes; and the stock gamblers have an interest *occasionally* in raising them. Between the two, the public are fleeced unmercifully.

MARYLAND.

The currency committee of Baltimore, have at last prevailed on the Franklin Bank of that city, (a bank that broke some time ago,) to receive on deposit the notes of the Baltimore and Ohio Rail Road Company, and seem to hope that by such arrangement as this, the currency of this paper may still be maintained.

The Baltimore and Ohio Rail Road Company has recently declared a dividend of two per cent., and paid the same in *bank notes*. If it had used the funds with which it paid its dividend, in redeeming part of its outstanding issues, it would have done more towards raising the credit of its paper than can possibly be effected by any arrangement with the Franklin Bank. However, *a promise* to pay interest on such of the Baltimore and Ohio Company's notes as may be left on deposit for a month or upwards, has produced some rise in the value of this paper.

GEORGIA.

Governor McDonald in his message to the Legislature, makes some very sound remarks on the subject of banking, but proposes to remedy the evils the present system produces by establishing a State Bank with branches. This is the worst possible form of banking, except that of a United States Government Bank of discount and exchange.

The Governor states that, during the year, the circulation of the Central Bank of Georgia has been increased upwards of *one million dollars.*

When the reader is informed that the whole of the stock of this bank is owned by the State, that it is in fact a Government bank, he will feel less surprise than he otherwise would on hearing of this immense increase of circulation.

MISSOURI.

From the following extract from the Missouri Republican, it appears that though the Bank of the State of Missouri continues to pay specie on the few notes it has in circulation, it is, as regards currency, little more than an agent for the suspended banks of the neighboring States and Territories. It receives their notes on deposit, and pays them out again, thus aiding in making them the circulating medium of Missouri.

This practice must be prohibited wherever it is intended that the banks shall make a *bona fide* resumption of specie payments; as otherwise we shall only be substituting one kind of inconvertible paper for another.

"The notes of the Bank of Missouri, State Bank of Illinois and branches, Bank of Illinois, State Bank of Indiana and branches, Bank of Kentucky, and the Ohio Life Insurance and Trust Co., and the Commercial, Lafayette, and Franklin Banks of Cincinnati, and the notes of solvent banks of Wheeling and Pittsburg, and eastern cities, are received by our bank and offices of discount and deposit as par funds. The notes of the Cairo Bank and the Miner's Bank, Bank of Dubuque, together with the issues of City and County Warrants, are received by two of the offices on deposit and in payment of debts; they pass in ordinary transactions at par, and large amounts can be converted into 'par funds' at 1 per cent. premium. The same may be said of the certificates of the Wisconsin Fire and Marine Insurance Company. Missouri State Bank (parent) 7 per cent. premium; branches, 4 to 5 do."

NEW YORK.

At a mass convention at Kingston, N. Y., the following resolution was adopted.

"*Resolved*, That the system of banking known as the Free Banking System in this State, of which system State stocks and mortgages on real estate are the basis, is deceptive, and as a system is unworthy of public confidence, and has already inflicted the most serious loss upon the people of this State; that we approve of no feature of this system except its *freedom from exclusiveness*, that we are in favor of no *banking system which does not make the individual property of stockholders HOLDEN FOR THE DEBTS OF THE INSTITUTION; and we demand that all banking companies shall hereafter be governed by the same laws that regulate ordinary copartnerships in all other business.*"

A NEW MOVEMENT.

Some persons have proposed that those bankers who issue paper money which they cannot on presentation redeem with real money, should receive the same punishment as issuers of counterfeit coin. In Georgia a grand jury has been found, who seem disposed to act on this principle. They have, as is stated by the Georgia Argus, published at Columbus, "found a true bill against Rhodam A. Greene, President of the Western Bank of Georgia, for a high misdemeanor. The charge is founded upon the refusal of the bank to pay specie. There is a provision of the charter of that bank, which declares that the bank shall not at any time refuse to pay specie, and that upon such refusal, the charter shall be forfeited. There is, also, a section of the Penal Code, which provides, that if any bank officer shall violate any provision of the charter, he shall be indicted for a high misdemeanor.

"The Legislature certainly never contemplated, that the mere act of failing to pay specie, unconnected with fraud, should be an indictable offence; if they did, then every officer of every suspended bank of the State, is subject to indictment."

This is a striking incident in banking history, and shows that a great revolution is taking place in the public mind in regard to bank responsibility.

THE FOREIGN NEWS.

Advices have been received from England to the date of November 3d.

Trade continues to be dull. One of the papers states "that there is a most cheerless prospect for the coming winter,—cheerless, indeed, for both masters and operatives." Another adds that "there is the prospect of a winter of severe suffering, if not *terror*." In the agricultural districts, there have been many fires, kindled by persons driven to desperation by their sufferings.

Considerable excitement had been produced in the money circles, by the discovery, that a fraudulent issue of exchequer bills, amounting in all to £300,000 or £350,000 pounds, had taken place.

By a great fire in the Tower of London, public property to the value of one million sterling was destroyed. This had a slight effect on the funds.

A revolutionary plot has been detected in Belgium.

An attempt to get up an insurrection in Spain in favor of the ex-queen, has proved a complete failure.

The sales of cotton at Liverpool, during the week ending November 1st, amounted to 22,910 bales: 7,290 New Orleans, 5d. to 8¼d.: 4,720 Mobile, &c., 5d. to 6½d.: 3760 upland, 4¾d. to 6¾d.

By a revolution in Mexico, Santa Anna has been placed at the head of affairs in that country.

ACKNOWLEDGMENTS.

Our thanks are due to gentleman in the following places in Mississippi, namely, Benton (second list,) Liberty (third list,) Jackson (second list,) Brandon, Fayette, (fourth list;) and also to gentlemen at Farmersville, Harrisonburg, and Clinton, Louisiana; Orangeburgh, South Carolina, (third list;) Garysville, Virginia; Boston, Massachusetts, (third list;) Newport, New Hampshire, and other places, for additions to our list of subscribers.

We can complete the files of any number of new subscribers.

Saturday, November 20th, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	— *a* ⅞ dis.	— *a* 3 pr.
New Hampshire	— *a* ⅞ dis.	— *a* 3 pr.
Vermont	— *a* ⅞ dis.	— *a* 3 pr.
Massachusetts	— *a* ⅜ dis.	— *a* 4½ pr.
Rhode Island	— *a* ⅞ dis.	— *a* 4½ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 4½ pr.
New York City	Standard.	4½ *a* — pr.
New York State	— *a* ¾ dis.	4 *a* — pr.
East Jersey	½ *a* — dis.	— *a* 4 pr.
West Jersey	5 *a* — dis.	Par *a* 1 dis.
Philadelphia	5½ *a* — dis.	Standard.
Pennsylvania, East	5½ & 6 *a*—dis.	Par *a* 1 dis.
" West	5½ & 5¾ *a*—dis.	Par.
Delaware	5 *a* — dis.	Par.
Baltimore	4 *a* 5 dis.	1 pr.
Maryland	5 *a* — dis.	½ pr *a* 3 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	— *a* 7 dis.	— *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	— *a* 5 dis.	2 dis.
South Carolina	3 & 4½ *a*—dis.	1 pr. *a* par.
Georgia	10 *a* — dis.	Par *a* 40 dis.
Alabama	10 *a* — dis.	5 *a* 5¼ dis.
Louisiana	5 *a* — dis.	Par *a* ½ dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	9 *a* — dis.
Kentucky	9 *a* — dis.	5 *a* — dis.
Missouri		7 dis.
Illinois	12 & 15 *a* dis.	— *a* 8 dis.
Indiana	— *a* 12½ dis.	— *a* 8 dis.
Ohio	12½ *a* — dis.	5 *a* 8 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	4¾ *a* 5 pr.
Sovereigns	4.84 *a* —	5.05 *a* 5.12
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.30 *a* 16.50	16.80 *a* 17.00
Patriot Doubloons	15.90 *a* 16.00	16.40 *a* 16.60
Spanish Dollars	— *a* 6 pr.	10 *a* 12 pr.
Mexican Dollars	— *a* 2 pr.	6 *a* 7 pr.
Five Franc Pieces	— *a* 95 cents	98 *a* 1.00
Half Dollars	— *a* 1 pr.	4½ *a* 5½ pr.
BILLS OF EXCHANGE ON		
London	9¾ *a* 10 pr.	14 *a* 15½ pr.
France	5.20 *a* 5.18¾	5.05 *a* ——
Holland	— *a* 40½	41½ *a* ——
Hamburg	36⅝ *a* —	38¼ *a* ——
Bremen	78¾ *a* 78⅞	81½ *a* ——
Boston	⅛ *a* ¼ dis.	4¾ *a* — pr.
New York		4¾ *a* — pr.
Philadelphia	3⅛ *a* 3¼ dis.	
Baltimore	2¼ *a* 2½ dis.	¾ *a* ⅞ pr.
Richmond	4⅞ *a* 5 dis.	1¾ *a* 2 dis.
North Carolina	3¾ *a* 4 dis.	
Charleston	1¼ *a* 1½ dis.	¾ *a* 1 pr.
Savannah	2 *a* 2⅛ dis.	Par.
Augusta	2 *a* 2½ dis.	
Columbus	12 *a* 12½ dis.	
Macon	14 *a* 14½ dis.	
Mobile	7¾ *a* 8 dis.	3¾ *a* 4 dis.
New Orleans	2¾ *a* 3 dis.	⅛ *a* ¾ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	10 *a* 11 dis.	8½ *a* — dis.
St. Louis	8½ *a* 9 dis.	
Louisville	6½ *a* 7 dis.	5 *a* 6 dis.
Cincinnati	9 *a* 9¼ dis.	— *a* 7 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	8 *a* 12	9¼ *a* 11¾
Mobile	8 *a* 11½	9¾ *a* 11¾
Upland	7½ *a* 10¼	9 *a* 11¼
Flour, Western Canal, per bbl.	6.50 *a* 6.75	
Philadelphia	—— *a* ——	6.75 *a* 7.00
Rye Flour	4.00 *a* 4.25	3.75 *a* 4.00
Indian Meal	3.12½ *a* 3.25	2.87½ *a* 3.00
Grain—Wheat, per bush	1.35 *a* 1.40	1.36 *a* 1.48
Rye	75 *a* 76	66 *a* 73
Corn	67 *a* 72	62 *a* 68
Oats	46 *a* 52	44 *a* —
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 35	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb	4⅜ *a* 4½	4¾ *a* —
Tobacco, Richmond, per lb	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 9	4 *a* 9
Wool, American, Merino, per lb.	42 *a* 45	39 *a* 41
Common	25 *a* 30	32 *a* 34
Whiskey Rye, per gal	20 *a* 21	19 *a* 21
Provisions, Mess Beef, per bbl.	7.50 *a* 8.25	9.00 *a* 10.00
Mess Pork, per bbl.	9.25 *a* 10.00	9.00 *a* 9.50
Hams, per lb.	6 *a* 9½	6 *a* 8
Lard, per lb	6½ *a* 7	7 *a* 8
Cheese, per lb.	6½ *a* 7½	7½ *a* 8
Rice, per lb.	3¾ *a* 3⅞	3½ *a* 4

RESUMPTION OF SPECIE PAYMENT.

In New Orleans a committee of the directors of the banks have recommended that the banks shall resume specie payment in Nov. 1842—that is to say, in about a year from this date.

The Directors of the State Bank of Indiana, have resolved to resume on the 1st of August next, provided the banks of Ohio and Kentucky do the same. This, the Indianopolis Sentinel, to which we are indebted for this article of intelligence, regards as tantamount to a resolution not to resume at all.

In Philadelphia, several of the daily papers are zealous for a speedy resumption of specie payments; but we believe it is little talked of in "the money circles." Such of our banks as have aided the last General Assembly in violating the United States Constitution, by issuing State *bills of credit*, regard themselves as protected for the next four years. We can fancy a state of things in which the privileges accorded to them by the unconstitutional "Relief Law" would not avail them much.

THE TOWANDA BANK.

This bank, which is in the northern part of Pennsylvania, has several times made arrangements with brokers and bankers in Philadelphia, by which its notes obtained currency in the city and its neighbourhood. Then suddenly the brokers and bankers which acted as its agents, would cease to redeem them, and its notes would fall to a heavy discount.

It is one of the banks that have accepted the provisions of "the Relief Law," and has issued about $100,000 in State bills of credit *more* than its just proportion. In consequence thereof, the State Treasurer has refused to receive *any* of its bills in payment of public dues; and, on the 19th of November, its agent in Philadelphia ceased to redeem them. Some of the consequences that ensued, are thus described in "The Public Ledger"

"Hundreds of poor laborers were to be seen running in every direction with their hands full of the trash, and not able to induce a broker to give a sixpence in the dollar for them. We passed in the market a woman who makes her living by selling butter, eggs, and vegetables, who had almost all she is worth, about $17, in Towanda bank notes. When apprized that it was worthless, she sunk down in agony upon her stool, and wept like a child. This is but one of a hundred similar cases, for the market has been full of the trash for a week or more."

The Penn Township Bank, the last agent of the Towanda Bank, comes in for its share of blame. Under the impression that the extra issues of the Towanda Bank will hereafter be legalized, some of the brokers have bought them at from 25 to 50 per cent. discount, but others have refused to purchase them at any price whatever.

GOLD AND SILVER.

Under the conviction that the prices of specie given in the Philadelphia Price Current for Saturday Nov. 20th, must be erroneous, we have applied to a respectable broker to give us the true rates for this number.

It is proper to state that when we have had occasion to sell bank notes, we have found the prices to accord very nearly with those given in the Price Current.

BANK NOTES.

Since our last, there has been a further increase at New York, in the discount on notes of the banks of Pennsylvania, West Jersey, Delaware, and Virginia: and, at Philadelphia, an advance in the premium on the notes of the New York and New England banks.

RATES OF EXCHANGE.

Partly owing to a delay in bringing in the cotton crop, and partly owing to the discredit into which many dealers in that article have fallen: there has been a deficiency in good bills. This the banks of New York have been endeavouring to supply, some by shipping specie, and drawing against it, others, it is said, by flying kites. Rates, it will be observed, continue to advance.

THE STOCK MARKET.

Stocks are ruinously low. Pennsylvania fives continue to fall, and have been sold at 69, Philadelphia currency. At New York Illinois sixes have been sold at 34¾, and Indiana fives at 34½.

Girard Bank stock is at about 17 dollars a share for 50 paid. United States Bank at $4 for $100 paid. Lehigh navigation stock, which, some years ago, brought upwards of $90 a share, is now held at 12 *a* 14.

The par value of shares of the Pennsylvania Bank is $400. A short time since the highest offer made for them was $185. They have now rallied a little, and are held at $205. Philadelphia Bank stock has also advanced a little. A few sales have been effected at 65. Some think this advance is temporary.

☞ The remarks on "*The Remote consequences of the system*" of paper money banking, begun in our last number, are concluded on the next page.

It is, however, among the hard-working members of society, that the ultimate effects of such causes are most observable.

The condition of a multitude of poor women in our large cities, has lately attracted the attention of the benevolent. It appears from the statements that have been published, that they can, by working ten or twelve hours every day, earn no more than from seventy-five cents to a dollar a week. Half of this sum goes for house-rent and fuel, leaving them from thirty-seven and a half cents to fifty cents a week for food and clothing for themselves and children. Some thousands are said to be in this situation in Philadelphia alone.

Various proposals have been made to better their condition : some futile, others absolutely pernicious. The laws of supply and demand are too powerful to yield to sermons and essays. The low rate of the wages of these poor women, is the effect of general causes—causes which affect, in one way or another, every branch of business.

In the great game we have been playing, much of the wealth of the country has passed into a few hands. Many men dying, have left nothing to their widows and children : and others who still live, cannot support their families, except by the additional industry of their wives. The work of a seamstress can be done by a woman in her own house, in the intervals she can spare from attention to her children. In this way the number of seamstresses has been increased.

On the other hand, many families who would gladly employ these poor women, are compelled by their own straitened circumstances, to do this kind of work themselves. In this way the demand for seamstresses is diminished.

Private benevolence may improve the condition of individuals of this class : but the class itself can be benefitted by such causes only as will diminish the number of seamstresses or increase the demand for their labor. The cause that will improve the condition of one of the industrious classes of society, will improve the condition of all.—When an end shall be put to unfair speculation, then, and not till then, will honest industry have its just reward.

CHAPTER XXII.

Effects on Moral Character.

The practices of trade seem, in most countries, to fix the standard of commercial honesty. In the Hanse Towns and Holland, while they were rising to wealth, this standard was very high. Soldiers were not more careful to preserve their honor without stain, than merchants were to maintain their credit without blemish.

The practices of trade in the United States, have debased the standard of commercial honesty. Without clearly distinguishing the causes that have made commerce a game of hap-hazard, men have come to perceive clearly the nature of the effect. They see wealth passing continually out of the hands of those whose labor produced it, or whose economy saved it, into the hands of those who neither work nor save. They do not clearly perceive *how* the transfer takes place : but they are certain of the fact. In the general scramble they think themselves entitled to some portion of the spoil, and if they cannot obtain it by fair means, they take it by foul.

Hence we find men, without scruple, incurring debts which they have no prospect of paying.

Hence we find them, when on the very verge of bankruptcy, embarrassing their friends by prevailing on them to endorse notes and sign custom house bonds.

Instances not unfrequently occur of men who have failed once or twice, afterwards accumulating great wealth. How few of these honorably discharge their old debts by paying twenty shillings in the pound !

How many evade the just demands of their creditors, by privately transferring their property.

It is impossible, in the present condition of society, to pass laws which will punish dishonest insolvents, and not oppress the honest and unfortunate.

Neither can public opinion distinguish between them. The dishonest share the sympathy which should be given exclusively to their unfortunate neighbors : and the honest are forced to bear a part of the indignation which should fall entirely on the fraudulent.

The standard of commercial honesty can never be raised very high, while trade is conducted on present principles.

"It is hard," says Dr. Franklin, "for an empty bag to stand upright." The straits to which many men are reduced, cause them to be guilty of actions which they would regard with as much horror as their neighbors, if they were as prosperous as their neighbors.

We may be very severe in our censure of such men, but what else ought we to expect, when the laws and circumstances give to some

men so great advantages in the great game in which the fortunes of the whole community are at issue—what else ought we to expect, but that those to whom the law gives no such advantage, should exert to the utmost such faculties as remain to them in the struggle for riches, and not be very particular whether the means they use are such as the law sanctions or the law condemns.

Let those who are in possession of property which has been acquired according to the strict letter of the law, be thankful that they have not been led into such temptations as those on whom the positive institutions of society have had an unfavorable influence.

But banking has a more extensive effect on the moral character of the community, through that distribution of wealth which is the result of its various direct and remote operations. Moralists in all ages, have inveighed against luxury. To it they attribute the corruption of morals, and the downfall of nations. The word luxury is equivocal. What is regarded as a luxury in one stage of society, is, in another, considered as a comfort, and in a still more advanced stage, as a necessary. The desire of enjoyment is the great stimulus to social improvement. If men were content with bare necessaries, no people would, in the arts and sciences, and in whatever else renders life desirable, be in advance of the lowest caste of the Hindoos, or the unhappy peasantry of the most unhappy country of Europe.

But whatever moralists have said against luxury, is true when applied to that *artificial* inequality of fortune which is produced by *positive* institutions of an unjust character. Its necessary effect is to corrupt one part of the community, and debase the other.

The bare prospect of inheriting great wealth, damps the energies of a young man. It is well if this is the only evil it produces. "An idle man's brain," says John Bunyan, "is the devil's workshop." Few men can have much leisure, and not be injured by it. To get rid of the *ennui* of existence, young men of wealth resort to the gambling-table, the race-ground, and other haunts of dissipation. They cannot have these low means of gratification without debasing those less favored by fortune.

The children of the poor suffer as much in one way, as the children of the rich suffer in another. The whole energies of the father and mother are exhausted in providing bread for themselves and their family. They cannot attend properly to the formation of the moral character of their offspring—the most important branch of education. They can ill spare the means to pay for suitable intellectual instruction. Their necessities compel them to put their children to employments unsuited to their age and strength. The foundation is thus laid of diseases which shorten and embitter life.

Instances occur of men, by the force of their innate powers, overcoming the advantages of excess or defect of wealth; but it is true, as a general maxim, that in early life, and in every period of life, too much or too little wealth, is injurious to the character of the individual, and when it extends through a community, it is injurious to the character of that community.

In the general intercourse of society, this artificial inequality of wealth produces baneful effects. In the United States, the pride of wealth has more force than in any other country, because there is here no other pride to divide the human heart. Some of our good republicans do, indeed, boast of a descent from the European nobility; but when they produce their coats of arms, and their genealogical trees, they are laughed at. The question is propounded, if their noble ancestors left them any *money*. Genius confers on its possessor a very doubtful advantage. Virtue, with us, as in the days of the Roman poet, is viler than sea-weed, unless it has a splendid retinue. Talent is estimated only as a means of increasing riches.—Wealth alone can give permanent distinction, for he who is at the top of the political ladder to-day, may be at the bottom to-morrow.

One mischief this state of things produces is, that men are brought to regard wealth as the *only* means of happiness. Hence they sacrifice honor, conscience, health, friends, every thing, to obtain it.

The other effects of artificial inequality of wealth, have been treated of at large, by moralists, from Solomon and Socrates, downwards. To their works and to the modern treatises on crime and pauperism, we refer the reader. The last mentioned treatises are, for the most part, only illustrations of the ultimate effects of positive institutions, which operate unequally on different members of the community.

CHAPTER XXIII.

Effects on Happiness.

The inferences the intelligent reader must have drawn from what has already been stated, preclude the necessity of much detail in this part of our inquiry.

Wealth is, if independently considered, but one among fifty of the causes of happiness: and poverty, viewed in the same light, is but one among fifty of the causes of misery. The poorest young man, having health of body and peace of mind, and enjoying the play of the social sympathies, in the affections of wife, children and friends, is happier than the richest old man, bowed down by sickness, oppressed with anxiety for the future, or by remorse for the past, haviug nobody to love, and beloved by nobody.

But though we may, by mental abstraction, consider wealth independently, or poverty independently, neither the one nor the other is absolutely independent in its operation. There is no cause in either the physical or the moral world, but what works in conjunction with other causes. Health of body and peace of mind, with the just play of the social affections, may give happiness, independently of wealth; but in extreme poverty, it is difficult to preserve either health of body or peace of mind, and the play of the social affections becomes then a source of misery.

Some little wealth, at least enough for daily subsistence, is necessary for the enjoyment of life and the pursuit of happiness: hence it is that the right to property is as important as the right to life and the right to liberty. "You take my life when you do take the means by which I live."

The majority of men are of such temperament, that something more than the means of subsistence for the bare twenty-four hours, is necessary for their happiness. They must also have a prospect of enjoying like means of subsistence in future days. But this is a prospect which, with the reflecting part of the poor, is frequently overcast with clouds and gloom. Few journeymen mechanics are able to make adequate provision for sickness and old age. The wages of a laborer will support him and his family while he enjoys health and while employment is steady: but in case of long-continued sickness he must look for relief to the hand of public or private charity. If he casts his eyes on his wife and children, his dying hours are embittered with thoughts of the misery which may be their portion. Corroding care is the inmate of the poor man's breast. It is so heart-withering, that it may be made a question, whether the condition of some slaves in the Southern States is much worse than that of many citizens in the other States. The want of liberty is a great drawback on happiness: but the slave is free from care. He knows that when he grows old, or becomes infirm, his master is bound to provide for his wants.

There would be less objection to that artificial inequality of wealth which is the result of unjust positive institutions, if it increased the happiness of one class of society in the same proportion that it diminishes the happiness of another class. But increase of wealth beyond what is necessary to gratify the rational desires of a man, does not increase his happiness. If it gives birth to irrational desires, the gratification of them must produce misery. Even when inordinate wealth does not give birth to irrational desires, it is attended with an increase of care, and this is a foe to happiness.

With some men, the love of wealth seems to be a blind passion. The magpie, in hiding silver spoons in its nest, appears to act with as much reflection as they do, in piling money-bag on money-bag. They have no object in view beyond accumulation. But with most men, the desire of great wealth appears subordinate to the love of great power and distinction. This is the end, that the means. They love fine houses, splendid equipages, and large possessions, less for any physical gratification they impart, than for the distinction they confer, and the power they bestow. It is with some, as much an object of ambition to be ranked with the richest men, as it is with others to be ranked with the greatest warriors, poets, or philosophers.

The love of that kind of distinction which mere wealth confers, is not a feeling to be highly commended: but it is hardly to be reprobated, when it is constitutional, and when it is under the government of proper moral principle. In this case, it is a simple stimulus to vigorous industry and watchful economy. With some men, the love of ease is the ruling passion, with others the love of pleasure, and with others the love of science. If the love of riches was not, with many men, stronger than that of any of the other loves we have mentioned, there might not be enough wealth accumulated to serve the general purposes of society. They

may claim the liberty of gratifying their particular passion in a reasonable way; but it is a passion which derives less gratification from the actual possession of a large store, than from the constant increase of a small one.—The man whose wealth increases gradually from one hundred dollars to one thousand, thence to five thousand, thence to ten thousand, and thence to fifty thousand, has more satisfaction in the process than he who suddenly becomes possessed of one hundred thousand dollars. As to the distinction which mere wealth confers, it would be obtained in a state of society in which the distribution of wealth were left to natural laws, as certainly as in a state in which positive institutions operate to the advantage of the few, and to the disadvantage of the many. If the riches of men were made to depend entirely on their industry, economy, enterprise, and prudence, the possession of one hundred thousand dollars would confer as much distinction as the possession of five hundred thousand dollars confers at present. Those worth "a plum," would then rank among the "first men" on 'change: those who are worth "five plums," can rank no higher now.

But the system has not a merely *negative* effect on the happiness of the rich. Such is the uncertainty of fortune in the United States, that even the most wealthy are not exempt from painful solicitude for the future. Who can be sure that he will be able to navigate his own bark in safety to the end of the voyage, when he sees the shore strewed with wrecks? If a man leaves an estate to his children, he knows not how long they will keep possession of it. If he extends his views to his grand-children, the probability will appear strong that some of them will be reduced to abject poverty.

Such is the present custom of trade, that a man who has a considerable capital of his own, not unfrequently gives credit to four or five times the amount of that capital. He is a rich man, but even if the debts due to him are perfectly secure, the perplexity which is created by a long train of credit operations, the failure of but one of which may prove his ruin, must leave him but little ground for solid satisfaction: and the necessity he is under in times of embarrassment, of courting the good will of bank directors, goes far towards destroying his personal independence. "The servile dependance on banks, in which many of our citizens pass their lives," was observed by Mr. M. Carey as long ago as the year 1811.

There is one other evil resulting from the super-extended system of credit which has its origin in banking, and with a few observations on this, we shall close our remarks on this head of the subject. We allude to the *misery* suffered by an honest man who is involved in debts. We have known cases in which none of the common rules of prudence had been transgressed in incurring the debts, in which the creditors were perfectly convinced of the honesty of the debtor, and neither pressed for payment, nor reflected on his disability to comply with his engagements: in which the debtor was sensible that his failure would not subject his creditors to any serious inconvenience; and yet a gloom would overspread the mind of the debtor, and remain there for years.

CHAPTER XXIV.

Of the Evils that would be produced by a sudden dissolution of the System.

If every bank note in the country should be consumed by fire to-morrow, the wealth of the nation would be diminished just as much as it would be by the destruction of so much waste paper.

So, if all the title deeds of estates were destroyed, the loss of positive wealth would be equivalent to the loss of so many skins of parchment. But very great injustice would be done to individuals by the destruction of these skins of parchment; and not less, probably, by the sudden destruction of bank notes.

It is an easy thing to establish a banking system; but it is not very easy to get rid of it after it has been some years in operation. The *sudden* abolition of it would produce an entire destruction of private credit, a universal pressure for the payment of debts, and a general disability to comply with engagements. Business of nearly every kind would be suspended, and the laboring part of the community would be deprived of employment.

If all the bank notes in the country should be destroyed to-morrow, the twenty-two millions of specie which are said to be in the vaults of the banks, would be put in circulation, which, added to the ten millions of specie supposed to be at present in circulation, would make a total of thirty-two millions. Supposing bank credits to be destroyed at the same moment, the circulating medium would suddenly be reduced from one hundred and nine-

teen millions, (which is, according to Mr. Gallatin, the present aggregate of specie, notes, and bank credits,) to thirty-two millions. If an end were not put to all transactions except by means of barter, the fall of prices would be at least seventy-five per cent.

If but *half* of the bank notes and bank credits should be suddenly abolished, the fall of prices would be in greater proportion than the reduction of medium, from the immense quantities of land and of merchandize which would be thrown into the market.

If bank medium should be suddenly reduced only one-fourth, the fall of prices would be at least twenty-five per cent, and universal embarrassment would be the consequence.

Many of those who have acquired capital by the different operations of banking, would not, perhaps, desire any thing better than the sudden destruction of the system. Most estates which are now mortgaged for only one-third or one-fourth of their worth, at the present rate of valuation, would fall into the hands of speculators. The condition of the whole country would be like that of Kentucky when she adopted her "relief laws." The people would clamor for the issue of paper money by the State Governments, and a worse system than the present might be adopted—if a worse be possible.

Public opinion in the United States, when it once takes root, runs so rapidly to maturity, that this caution is not unnecessary.—Some who are now living may see the time when the popular feeling against the banking system will be stronger than the feeling ever was in its favor.

CHAPTER XXV.

Of the Proper Mode of Proceeding.

As paper drives specie out of circulation, so the withdrawal of paper brings specie back again. Wherever there is a vacuum it flows in, unless political regulations counteract its tendency to find its own level.

If we *gradually* withdraw bank notes from circulation, no evil will ensue, for specie will immediately supply their place.

The proper mode of proceeding would be, to begin with the smallest notes, and proceed gradually to those of the highest denomination.

Mr. White, of New York, in his repo... , Congress, made in February, 1831, estimates the amount of notes in circulation of a less denomination than five dollars, at not more than seven millions. This does not exceed the amount of gold and silver we sometimes import in one year. But through the use made of paper, the gold and silver imported in one year are exported in the next. Let small notes fall into disuse, and an equal amount of specie will be retained in the country.

The amount of five dollar notes in circulation is estimated by Mr. White at ten millions. Two years after the passage of the act to prohibit the issuing of small notes, it would be perfectly safe to prohibit the issuing of notes of a less denomination than ten dollars.

In two years more, the prohibition might be extended to notes of a less denomination than twenty dollars. Our currency would then be on a par with that of Great Britain.

In two years more the issue of notes of a less denomination than fifty dollars might be forbidden; and in two years after that, the issue of notes of a less denomination than one hundred dollars.

In this way, in the short period of ten years, and without producing any commercial convulsion, specie might be made to take the place of paper.

We speak from experience. The principles of the measure have been tried in Virginia, Maryland, and Pennsylvania. In the way in which these States have got rid of small notes, the other States may get rid of them. In the way in which small notes have been driven from circulation, notes of every denomination may be made to give place to specie.

In some parts of Pennsylvania, violent opposition was made to the act to prohibit the circulation of small notes, from an opinion that it would "make money scarce." The grand juries of the counties of Beaver and Erie went so far as to present it as a nuisance. But the legislature remained firm in its purpose, and many of the former opponents of the law are now among its warmest supporters. The effect of the measure was just such as its friends predicted. An immense quantity of trash disappeared from circulation, and its place was supplied with silver.

The principles of the measure have also been tried in England, where, in 1829, the issue of notes of a less denomination than five pounds sterling was prohibited. The proceeding there was, from notes of one pound, or four dollars eighty cents, to notes of five pounds, or twenty-four dollars—a greater jump than would be advisable in America.

Some of our most distinguished statesmen appear to be ofopinion that, if it were possible to substitute a metallic for a paper medium, it would greatly promote the interests of the country. Nothing hinders, but *want of inclination.* If either of the great political parties into which our nation is divided, would take a decided stand in favor of sound currency and sound credit, the cause of sound currency and sound credit would be triumphant. The industrious classes of the nation would array themselves with that party, as soon as they could be made to understand the question, and the speculators and their satellites would be vanquished in the contest.

If our national debt was of great amount, and if our taxes were heavy, some difficulties might be experienced in passing from a paper to a metallic medium. But our national debt is now merely nominal, and the taxes payable to the United States may, if necessary, be reduced, without diminishing the efficiency of government. A country and a people possessed of so much elasticity, could bear greater changes than any here proposed.

Of the perfect feasibility of the measure, we may be convinced in another way. Our exports of domestic produce amount annually to between fifty and sixty millions of dollars. If we should buy from five to ten millions a year of gold and silver, for ten years, we should still have between forty and fifty millions to expend in the purchase of European manufactures, and East and West India products. If by the withdrawal of paper, a demand for specie to the amount of twenty millions annually should be created, it could be readily supplied. England, in four years, on the resumption of specie payments, imported twenty millions sterling in gold alone. Our demand could be supplied by both gold and silver.

Supposing the withdrawal of the bank notes should cause a diminution of bank discounts of equal amount, the effect, if we proceed gradually, would be almost imperceptible.—If two years were allowed for the withdrawal of small notes, the diminution of bank discounts would, in this period, and on this supposition, be at the rate of three million five hundred thousand dollars a year. In the single city of Philadelphia, there have been, in periods of less than a year, reductions of bank discounts to as great an amount as is here proposed for the whole country.

According to the estimate of Mr. Gallatin, the whole amount of bank notes in actual circulation, in 1830, was about fifty-four millions. Surely it will not be said, that our whole nation cannot pay off an amount of bank debt, equal to the amount of bank notes in circulation, in the period of ten years.

But supposing we should, in the course of ten years, choose to pay off an amount of bank debt, equal to the whole amount of bank medium, or of both bank notes and bank credits, amounting together to one hundred and nine millions, would it be a work of insuperable difficulty? In the last seven years, the government has paid off the public debt at the rate of eight or ten millions a year: can we not, all of us together, pay off between eleven and twelve millions a year of bank debt?

In a pamphlet entitled, "Remarks on the Annual Treasury Report," published in 1828, and said to be written by two practical economists, distinguished for their talents and information,—the whole capital of the country is estimated at twelve thousand million dollars, and its productive industry at six hundred millions annually. Mr. Lee, of Boston, seems to suppose the national capital is not more than ten thousand millions, but he increases the national income to seven or eight hundred millions. In the Harrisburgh address, drawn up by Mr. Niles, in 1828, our productive industry is estimated at one thousand and sixty-six millions. Mr. E. Everett, in his speech of 1830, rates our national income at one thousand million dollars.

Take the lowest of these estimates: suppose our national capital to be only ten thousand millions, and our productive industry only six hundred millions a year, can we not pay off a bank debt of one hundred and nine millions in ten years?

In every year the increase of loanable capital in the country, must exceed the amount of bank debt it would be necessary to pay. Private credit would take the place of bank credit. If there should be a greater demand for capital on loan than could be supplied out of the savings of our own people, capital would flow in abundantly from Europe.

If the notes should be withdrawn gradually, in the manner here proposed, there is not a solvent bank, nor a solvent individual in the country, that could not sustain the operation. Such are the energies and the resources of the American people, that it would seem practicable to accomplish the work in half the time we have mentioned. The sooner it is accomplished, the sooner will we be delivered from the evils of our present condition. If, however, ten years is thought too short a time

for the work of reform, let it be extended through twenty years or through thirty years. The longest of these is but a short period in the lifetime of a nation.

CHAPTER XXVI.

Of a New Coinage of Gold.

The money unit of the United States is the dollar, consisting of 416 grains of standard silver, or 371$\frac{1}{4}$ grains of pure silver, and 44$\frac{3}{4}$ grains of alloy. All our contracts are to pay and receive dollars; all our accounts are kept in dollars. The dollar is thus our money of both account and contract, and its legal value is fixed by our having a coin of the same name, containing the quantity of pure silver and alloy which has just been mentioned.

Gold is, in the spirit of our laws, a subsidiary currency—its value being computed in silver dollars. At the United States Mint it is rated as fifteen to one—that is to say, one ounce of gold is considered as worth fifteen ounces of silver; or, what is the same thing, as many grains of pure gold as are equal to the number of grains of pure silver contained in a dollar, are coined into an eagle and a half-eagle, and estimated at the mint as worth fifteen dollars.

The market rate of gold to silver, as determined by sales of gold bullion and silver bullion, in a series of years past, is about 15.8 to 1. Consequently, if the mint rate corresponded with the market rate, the quantity of pure gold contained in an eagle and a half-eagle, ought to be estimated at the mint at about fifteen dollars and eighty cents.

The undervaluation of gold at the mint, is not the sole reason that it has disappeared from circulation. The free use of paper is the chief cause of the disappearance of both eagles and dollars. Whenever bank notes are used, no more specie is retained in a country than is necessary for transactions of a smaller amount than the least denomination of paper, and is necessary for meeting the few stray notes that may be presented to the banks for payment. It has been found impossible in England to make sovereigns and one pound notes circulate concurrently: and we all know that small notes in the United States have not only driven away gold coins, but also such silver coins as are of a higher denomination than a half-dollar.

If bank notes had never been introduced, eagles, half-eagles, and quarter-eagles would have continued in circulation, notwithstanding the undervaluation of gold at the mint.—The eagle would not have been current at the rate of ten dollars, but at the rate of ten dollars and fifty cents, ten dollars and seventy-five cents—or whatever else it would have been worth. The valuation of the fraction would have been productive of some inconvenience; but the utility of gold coins, in large transactions, would have made them current at a rate probably a little above that which they have borne in the bullion market.

A new gold coinage is desirable: but the proposition to coin eagles of a less weight than the eagles of former times, is not entirely free from objection. As all our contracts are to pay dollars, and as there is no gold at present in circulation, an issue of a new coin called an eagle, which should be of the exact value of ten dollars, would cause no political injustice. But the issue of a new coin of different weight from the old, and yet bearing the same name, might give countenance to the idea that money is something which owes its value to the authority of government, and lead, perhaps, at some future time, to an alteration in the dollar—an alteration in our true standard of value.

The eagle is the proper name of a coin which contains 247$\frac{1}{2}$ grains of pure gold, or 270 grains of standard gold, of twenty-two carats fineness. A coin which would contain but 234.84 grains of pure gold, or 256.20 grains of standard gold, ought to be called by another name; and to prevent all possibility of mistake, should have a different device. When the English ceased to coin pieces containing 118 58-89 grains of pure gold, and began to coin pieces containing 113 grains of pure gold, they did not call the new pieces by the same name as the old. But if the proposition which was laid before Congress a year or two since, should be adopted, there will be a greater difference in the weight and value of our new half-eagles and our old half-eagles, than there is in the weight and value of English sovereigns and English guineas.

To attempt to fix by law what is not fixed by nature, is preposterous. Gold and silver vary in value when compared with one another, in the same manner as copper and iron vary. The variations in the relative value of the precious metals are, it is true, very small: but in different epochs of our history, 232, 234, 238, 247, 250, and 252 grains of pure gold may be worth ten silver dollars. If we should, through all such changes, pertinaciously insist on coining eagles, adapting the

quantity of gold in them to the varying state of the bullion market, we should have a dozen different coins, each of a different weight, and yet all bearing the same name.

As there is little use for a gold coin so small as the quarter-eagle, and as we have imitated the Spaniards in our silver coinage, perhaps it would be judicious to imitate them in our gold coinage also, and issue American doubloons, half-doubloons, and quarter doubloons, of the respective values of sixteen dollars, eight dollars, and four dollars. But if pieces containing five and ten dollars' worth of gold be preferred, call the ten dollar piece "the Republican," "the President," or by any name that may please the fancy, except that of "the Eagle."—This is a name affixed, by long usage, to a piece containing neither more nor less than 270 grains of standard gold; and calling a piece containing a fewer number of grains by the same name, will certainly lead to confusion of ideas, and perhaps, at some future period, to practical injustice.

Whatever kind of new coins may be preferred, it will be proper to stamp on them the number of grains of pure gold and alloy that they may contain. Each new gold piece will then be a primer of political economy, and help to dissipate the erroneous ideas entertained respecting money.

It will be quite unnecessary to declare by law, that the new gold coins shall be a tender in payment of private debts. People who receive bank notes at their *nominal* value, will not refuse gold at its *real* value.

To ascertain the quantity of gold it would be proper to put in the new pieces, nothing more is necessary than to strike an average of the price gold bullion has borne as compared with silver bullion, in the principal markets of the world, during the last ten years. The mint regulations of different countries, are of no further account than as they affect the value of gold and silver in the bullion market.

If from some error in the data made the basis of the calculation, the gold in the new coins should happen to be rated a decimal fraction too low, so small an undervaluation will not cause the coins to be exported. Their utility as a circulating medium will keep them in circulation, the issue of five and ten dollar notes being prohibited.

If the gold should happen to be rated a decimal fraction too high, it will not, as some seem to fear, drive silver out of circulation.—The necessity of silver coins in small payments, will cause them to be retained in the country.

Should there be a greater error than a decimal fraction either too much or too little, in the valuation of gold, the new coin would continue to circulate, but at a small discount or a small premium, thus correcting the error of the mint valuation.

If one metal be made the standard and the legal tender, neither gold nor silver can be driven from circulation, except by paper, and paper cannot obtain currency except through the sanction or the connivance of government.

Gold is undervalued at the French mint, as well as at our own: but according to Mr. Gallatin, "it is only during short and extraordinary periods, that the fluctuations have been so great, as that the gold coins did either fall to the par of silver coins, or rise to the premium of one per cent. During by far the greater period of forty-five years, the premium has fluctuated from one-fifth to one-half per cent.: so that the variations in the relative price of the two metals have, with the few exceptions above mentioned, been less than one-third per cent." From the result of experience in France, there is every reason to believe, with Mr. Gallatin, that "the fluctuation in the relative market price of gold and silver, issued under proper mint regulations, would be so small a quantity that it might be neglected."

To establish a system of sound currency and sound credit, it is not absolutely necessary to have a new gold coinage. Only let bank notes be withdrawn, and eagles, half-eagles, and quarter-eagles, will come into circulation, and pass at their real value. But as four and eight, or five and ten dollar pieces, would be more convenient than pieces of the worth of five dollars and the indeterminate parts of a dollar, or ten dollars and the indeterminate parts of a dollar, a new gold coinage is desirable. It would be attended with injustice to no individual. No seignorage being charged at our mint, whatever quantity of gold bullion a man sent there, he would receive back the same amount in gold coin: and this coin he would pass in the market for whatever it might be worth.*

* Since this was written, an act has been passed to alter both the gold and silver coinage. The valuation of gold to silver at the mint, is now as sixteen to one, less a very small fraction. The alloy in the dollar has been reduced from 44¾ grains to 41¼ grains; but the quantity of *pure silver* in the dollar is the same as at first, namely, 371¼ grains.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, December 8, 1841. No. 12.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

Communicated.

THE TREASURY SYSTEM.

THE Treasury Department of the United States Government is in a most shameful condition. In its present condition, it is a disgrace to American statesmanship, and is by far the most bitter fruit of our party divisions. If our financial system be not soon placed on a solid constitutional basis, consequences the most fatal to the peace and durability of the republic mnst inevitably ensue.—Should war overtake the nation before a proper settlement of the Treasury question is made, the union of the States must be endangered, and the national arm paralyzed from the want of a common measure to test that uniformity of "duties, imposts, and excises throughout the United States" which the constitution requires. For how can the citizens of Massachusetts, or of any other specie paying state be expected to pay their contributions in par currency, when the citizens of all the Southern and South Western States can pay nothing but paper in different states of depreciation. I need say nothing further, and can say nothing stronger to convince any reflecting mind of the absolute necessity of a speedy settlement of the Treasury question, or rather questions, for there is more than one of vital importance. The Government has got to decide where and how the national money is to be *kept*, and *who* shall keep it: nay, what constitutes the *national money* itself is still practically an open question. Not that there is any doubt as to the constitutional injunctions in relation to these matters, or still less as to the law at present on the statute book, imperfect as it may be; but by a course of vicious and illegal practice, a financial chaos has been produced, which requires a thorough and radical reorganization of the system. The legislator has a great task before him, no less than the reconstruction of the most important, as it unquestionably is the most delicate organ of the national government. At the present moment, we have, strictly speaking, no treasury. The question now presents itself as it did to the Statesman of 1789; but since that time we have a world of experience which must not be overlooked. With this experience, and with an eye steadily directed both to the object in view, and the principles laid down in the constitution, it will not be difficult to arrive at a satisfactory conclusion. The times are highly favorable to this result. Public opinion, as most decidedly expressed in the late elections, has cleared away what has heretofore been the great stumbling block in financial matters—the National Bank question. It may now be taken as settled that the people will no longer suffer their money to be *kept* by a company of merchants. The two vetoes were, in fact, but the mere expression of the public will—and what is truly ridiculous, they expressed the secret wishes of a large number of members of Congress, who had given their votes for a bank. It may be said, too, that the State Bank scheme is even more obnoxious to public opinion. Such is the miserable condition of these institutions, that, south of New York, it would be difficult to find any bank that could give the securities demanded by the old law.

In order to arrive at a right understanding of this matter, our Legislators must look back upon the former condition of the Treasury, both as regards the law and the practice, and ascertain precisely what is its present situation. One of the first acts passed by the Federal Government, was the act to establish a Treasury Department. In considering this act, and the practice under it, I shall confine myself to the mode therein laid down, for keeping the public money, as this is the principal, although by no means the only defect of our present system. This act declares in so many words, "*that it shall be the duty of the Treasurer* [of the United States] *to receive and keep the moneys of the United States, and to disburse the same.*" "*For the faithful performance of the duties of his office;*" and for the fidelity of the persons *to be by him employed*, "he shall give bond with sufficient sureties in the sum of 150,000 dollars." He is also bound by the same act "to submit to the Secretary of the Treasury, the Comptroller, or either of them" the inspection of the *moneys in his hands*. From these extracts from the law, it is quite clear that the intention of Congress was, that the Treasurer should, either by

himself or those employed by him, have the actual possession of the public money. The keeping intended by the act was a *visible* and *tangible* keeping, and not a *mere account* keeping, which latter duty he is also by the same act obliged to fulfil. This scheme for the Treasury would seem to have been framed upon the model of the *Tresor Royal* of the French. It was enacted in 1789, one year after the French system was organized, the Treasurer performing the functions of the French "*Directeur du Tresor*," while the Secretary of the Treasury corresponded to the head of the French finances, whether called *Controleur General*, or, as afterwards, *Minister des finances*. The French system was, however, complete in its details, whether or not made so by the original edict I do not know; but the American law provided only for the appointment of the keeper in chief, with a power in him to employ others in the trust.—Had the moneys of the United States been handed over to the United States Treasurer, as by law they ought to have been, it would have been for him so to organize his Treasury as not to incur the responsibilities attached to his office. It is, however, doubtful, considering the nature and extent of the trusts that would be thus thrown upon the persons employed by the Treasurer, whether any one would have been willing to incur the risk; and it is therefore probable, had the Congressional Treasury gone into effect, that the details of the French system, which you in other words call the *double lock and key and joint responsibility system*, would have received the sanction of Congress. Some such arrangement must undoubtedly have been made, as absolutely necessary to carry out the intention of Congress, which clearly was to have the revenue of the United States *received, kept and disbursed by the Treasurer and his deputies in coined money*. If such was the Congressional scheme for keeping the public money, it is much to be regretted that an attempt was not made to put it into practice. Being founded on a solid basis, and its errors admitting of an easy corrective, we should now, in all probability, be in possession of an institution which could fulfil all the great objects of a national Treasury.

[To be continued.]

[So much of the law for the establishment of a Treasury Department as prescribes the duty of the Treasurer, should be either repealed or enforced: and so also should so much of another law of 1789 as declares that all duties shall be paid in "gold and silver coin only." There should be no dead laws in our statute book.

New legislation is not absolutely necessary to give us a constitutional treasury. All that is necessary is to carry into effect the laws of 1789, according to their true spirit and intent. The defects in these acts can be supplied by means of *Treasury Orders*. The Surveyor at each port of entry, can be made a check on the Collector, and the Register at each Land Office, a check on the Receiver.

The present administration has facilities which the last did not possess, for carrying the acts of 1789 into effect. When the banks broke in 1837, the Treasury Department was living in lodgings, where it had no conveniences for keeping the public money. Now there is at Washington, a most excellent Treasury building, and a very secure vault, with every convenience requisite for the receipt, keeping, and disbursement of the public funds. Most of the Land offices, and Custom Houses, have also been supplied with the means of keeping safely the public money.

What is of still more importance, an act has been passed which makes it a criminal offence in any public officer, to apply the public funds to any other than public purposes. Till the act of July 4th, 1840, was passed, it was their practice to employ the public funds in their possession in their private speculations, or to lend them to their friends: and if any of the funds were not forthcoming when called for, the government had no remedy but in the long and tedious process of a civil suit. While such was the law and the practice, the Government would have been exposed to risk of great losses, if it had attempted to enforce the acts of 1789. But this risk no longer exists. Any public officer who applies but one dollar of the public money to his private use, is liable to be punished with fine and imprisonment, and if a suitable example be made of *the first offender*, our history will not hereafter contain many instances of peculation.

We hope that one of the first moves of the friends of sound currency and sound credit in Congress, will be to bring forward a resolution declaring that the acts of 1789 ought to be enforced. And if the paper money men prevent the passage of such a resolution, we hope the President will, notwithstanding, take the necessary measures to have the existing laws carried into effect.]

PAPER MONEY IN ITALY.

Lady Mary Wortley Montagu relates, that at Rome, in 1740, there was an absolute want of all money but paper money, occasioned by an adoption there of Law's contrivance, when he was banished from France to Italy. Her banker Belloni had but a few sequins. "They go to market," says she, "with paper, and pay their lodgings with paper. No specie is to be seen, which brings every thing to such extravagant prices, that nobody knows what to ask for his goods. The Pope declares that while practising law, (he was bred a lawyer) he never knew want; but, as Pope, he, together with the State, is wretchedly poor. The country is almost annihilated by it."

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. VIII.

Saturday.—Devoted part of to-day to a tenth reading of the letters of the "great financier."—I have heard some who ought to know better, talk of this truly great man in rather disparaging terms—speak of him as a mere clerk with a pen behind his ear lending other people's money, and instead of attending properly to his business, on the principles of commercial banking, engaging in stock-jobbing, wholesale pawnbroking, and all kinds of political intrigue. "Where," they ask, "is the evidence of his great skill as a banker? With thirty-five millions of capital, and credit which gave him the command of at least as much more, he was one of the first to suspend specie payments. The cause which led the other leading banks in the country to stop payment, namely, the distribution of the public money among the States, did not immediately affect him, for he had none of that money on deposit. As for what he avers were the remote causes of the general suspension, namely, the Specie Circular and the Bank of England's withdrawing its support from the American merchants in London, these commenced their operation nearly a year before. As a 'great financier' he ought to have foreseen their effects, and guarded against their disastrous consequences on his own institution. If he had maintained specie payments for only one month, after the other banks suspended, the Government would, under the existing laws, have been compelled to employ his bank as its sole financial agent, and thus his triumph over the government, which is the wish dearest to his heart, would have been complete. Over and above this, the art of a banker consists in his making every body pay interest to him, while he pays interest to nobody.—The 'great financier' has so managed matters that the amount on which his bank is paying interest seems nearly to equal the amount of its active investments beyond the capital paid in."

It is ever thus:

> "Envy does merit as its shade pursue."

There were not wanting those who used to speak of John Law, the illustrious founder of the Mississippi scheme, and of the equally illustrious projector of the South Sea bubble, in terms equally disparaging. Even Timothy Dexter did not escape reproach, and I have lately read a biography of Samuel Terry, the Rothschild of Botany Bay, in which that truly great and good man is spoken of in a manner anything but laudatory.

The persons who speak in this way about the "great financier," may have a very adequate acquiantance with banking as a science, but they do not reflect sufficiently on the difference between the *science* and the *art* of banking. There can be no doubt that the "great financier," having no public money to transfer, and having the control of some seventy or eighty millions of capital, might, by taking due measures in due time, have avoided suspending specie payments. But, then, what would have become of the stock and other speculations in which his friends, to say nothing of himself, were so deeply interested? Is it no part of a banker's duty to take care of his friends or himself? And, after all, did not the bank gain largely by the suspension of specie payments?—And if our odious Government, and the stupid people, and the other banks, had only let the "great financier" alone, the same blessed suspension might, according to a hint given in one of his letters, have been continued for twenty-four years, or for as long a period as payments were suspended by the Bank of England.

Let the envious and the malicious carp as they may, the "great financier" is the very Napoleon Bonaparte of the times—the greatest man living. Who else but he could, besides managing seventy or eighty millions of capital, in various parts of the world, and in various branches of business, and managing it all well—who else but he could find time to regulate the elections, afterwards regulate the members of the State Legislature when they are elected, keep Congress in due order, take a hand in President making, and then find leisure to illuminate the public on the subjects of currency and finance? In the multitude of his avocations, political, commercial, and literary, he more nearly resembles Mehamet Ali, Pacha of Egypt, than any other gentleman of my acquaintance; but he goes far beyond Mehamet.

Sunday.—As my two beloved spiritual guides are both absent from the city, I did not go to church to-day. I cannot endure the Maultexts and the Mangletexts who supply their pulpits, and who are always prating about what they are pleased to call a good life as essential to religion. But what a blessed institution the Sabbath is! I know not how a poor creature like myself, busily engaged from morning till night on week days, could ever get along but for the intervention of this precious day of repose. On Sunday, I always feel so tranquil and collected, that, between sermons, I review my transactions of the past week, and lay my plans for that which has just commenced. Sometimes, when the sermon is not very edifying, I devote the time of service to meditating on the best ways and means of increasing my riches, and consequently advancing the welfare of my poor fellow travellers to eternity. To-day, as I did not go to church, I spent most of the time in posting my books. Posting books on a Sunday, as a general practice, I do not approve; but works of necessity must be attended to. I should not exactly like my friends of the Journal of ——— to know how I was employed, though I was so wary it is almost impossible that my conduct should bring any scandal on the cause of religion.

Monday.—Rumors have of late been afloat that the "great financier" has turned Loco-Foco.—They sorely trouble some of our friends, especially those in the Middle States, on whom he has been pressing heavily, in order that he may strengthen his means for bringing the South-Western States into complete subjection. But such reports do not affect me. I know the man too well to believe that he can ever turn Loco-Foco, except in the same sense that my son Bob became a Democrat.

That such a change should take place in *appearance* is quite possible, for he has political as well as pecuniary objects to advance; and, I have no doubt, would rather see himself President than either the "Hero of Tippecanoe," or the "Orator of Ashland," or even "the god-like man" of our American Athens. Still, some of his movements were rather puzzling. But that tranquility of mind which the blessed Sabbath always brings with it, has enabled me at length, as I think, to fathom his designs. He has already established one agency at London, and another at Liverpool. To these he probably means to add others in various parts of South America, at Canton, and other parts of Asia, to say nothing of Botany Bay and Van Dieman's Land. I hope sincerely he will embrace New South Shetland in his plan. By agencies thus numerous, and remote from one another, he may establish a system of "kite flying" which will, by its magnificence, utterly astound the inventors of that noble art. He will draw a bill on Rio, and take that up by a bill on Valparaiso. This he will redeem by a bill on the North West Coast, and then redeem that by a bill on Canton. When this is due, take it up by a bill on Botany Bay, (there are several banks there already) and that by a bill on Van Dieman's land, (where there is at least one bank.) The next step will be to New South Shetland, and then he can proceed round and round the globe. This system will come nearer the plan my excellent friend Newcraft* has for many years been trying to discover, than any thing I have ever met with. Newcraft's grand object has been to mature a system of banking, by which the disagreeable necessity of *ever paying at all*, may be avoided. Postponing payment indefinitely, by drawing and counterdrawing on all the towns in the universe, is the next thing to never paying at all——and if the "great financier's" bank should chance to be bursted in bringing the system to perfection, why, then there will be only a verbal difference between postponing payment indefinitely, and never paying at all.

I sometimes think this may be part of the "great financier's" design. No greater evidence can be given of skill in the *art* of banking, than by now and then breaking a bank at *the proper time*. He is extremely fond of comparing banking and steam power, and I have often had occasion to think of the comparison, in reflecting on the fate of that noble steam-boat, the "Nick Biddle." When that magnificent vessel first made her appearance in front of the famous city of Vicksburg, where there seem to be more banks than churches, the multitude on the shore greeted her with loud huzzas. Her name alone sufficed to inspire in that calm and Quaker-like population this hearty enthusiasm. But, in some few months after, the noble boat burst her boiler, and now nothing more is heard of her.

McThwackem tells a story so pat to the point, that if I had any body to listen to me I would endeavor to repeat it. As it is altogether too good to be lost, I must tell it to myself.

*See auto-biography of Ferret Snapp Newcraft, Esq.,—Democratic Review for May, 1838.

In the western part of New York is the beautiful village of Jack-Downingsville, to which the Slickville Yankees go to finish their education, before they venture to extend their benevolent labors to the inhabitants of "that great moral wilderness," the valley of the Mississippi, just as certain Swiss go to Holland to be polished before they repair to Paris. At this interesting little place a juggler was once exhibiting his powers, and his skill was so great that he utterly astonished even that worthy people, to whom ledgerdemain, in some at least of its branches, is so easy, that it seems to have been born with them. He thrust swords down his throat till nothing but the hilts were visible, and yet remained unwounded. He swallowed prussic acid by the spoonful, and yet remained unpoisoned. He squeezed himself into a pint bottle, and yet retained his natural size and shape. Loud were the plaudits he received, which increased as the entertainment was prolonged, for each trick seemed more wonderful than that which had preceded it. At length, when the admiration of the spectators had reached a point it seemed impossible to surpass, he exclaimed, "Now ladies and gentlemen, I will perform a feat greater than any you have yet seen." Without more ado, he took a pistol and blew his own brains out! The company, having seen the wonders he had previously performed, waited for some time in silent expectation that he would collect his brains again, and stand before them a living man as at first.— At length they became impatient, and loud cries of "go on! go on!—what next? what next?" resounded through the room. But the poor juggler could go no further. This wonderful feat was his last.

By some of his operations the "great financier" has astonished the commercial world quite as much as the juggler by his feats amazed the people of the little town in the west of New York. Is this magnificent system of exchanges to be his last, or are we to exclaim "WHAT NEXT?*

*I am very much afraid some people will think that I am a prophet *after* the event. But if any one will be at the pains to look into the Democratic Review for December, 1838, he will there find the above passages of my diary, just as I now give them in the Journal of Banking.

At that time the banks were paying specie, and on the very last day of December, 1838, the stock of the United States Bank was quoted in the Philadelphia papers at $123.

The events that have since occurred, do not in the least affect my judgment of "the great financier." I respect him more than ever. Only give him plenty of capital, and any *fool* can manage a bank. The really skilful banker is he who can carry on his business without any capital at all.— It is in this way "the great financier" has proved himself superior to all other men. Instead of having a capital of thirty-five million dollars, my own firm belief is, that the bank had not for many years a capital of thirty-five thousand. Yet it had unbounded *credit*, and by a skilful use of this credit, "the great financier" concealed its want of capital.

G. GRABALL.

From the New York New Era.

THE WALL STREET CHORUS.

Give me a Bank—a *paper* Bank,
The best machine for saving labor,
For who would toil and sweat himself,
When there's a chance to *sweat* his neighbor.

Away, now, with your power-looms,
Revolving Jacks, and spinning Jennies;
Contrivances for picking wool
Can't match the Banks for *picking* pennies.

"*Ex nihil nihil fit*," was once
A maxim much in vogue with some;
But few indeed can *now* maintain
That "nothing can from nothing come."

For though the ancients could convert
Their gold to rags, (as we are told,)
Yet we, in times more civilized
Can make from rags the best of gold.

All hail, then, glorious alchemy,
That can from nothing something make!
What pity things created thus,
Their primal form are prone to take.

So let us have a Bank, my boys!
A fortune thus we all may win:
Like lilies of the valley live,
Who "toil not, neither do they spin!"

With paper, then, all debts we'll pay,
And should our credit once get low,
It never comes amiss to say,
"The Government has made it so!"

THE BANK REFORMER.

We have received the second and third numbers of the *Bank Reformer*, published at Petersburg, Va. It is as true to its object as the needle to the pole. Like others engaged in the same cause, Mr. Ruffin has, we fear, to carry on the war chiefly at his own cost. This ought not to be. All the friends of bank reform ought to bear a share of the expense, each in proportion to his ability. We have deposited specimen numbers of the Bank Reformer at the store of Mr. Davis, No. 449, Market street, and will be happy to forward to Mr. Ruffin the names of those who may wish to subscribe. A set of the Bank Reformer, six numbers in all, will cost 50 cents. Price for three sets, one dollar.—Five dollars will pay for two hundred copies of any one or more numbers, if sent to one address.

TIMES HAVE CHANGED.

In the chapter treating "Of Banking on Proper Principles," it is said,—"no instance has occurred of a bank breaking in Philadelphia."—That was eight or ten years ago. Since then the Schuylkill Bank, then in as good standing as any other, has broken; and also the United States Bank, which was then regarded as second only to the Bank of England. How many of our present banks will be in good standing ten years hence? We put the question not with reference to the banks of Philadelphia only, but to those of New York and New England, and the rest of the Union.

"THE SUB-TREASURY SYSTEM."

In perusing the chapter on "The Fiscal Concerns of the Union," which will be found in a subsequent part of this number, the reader will bear in mind that it was first published in February, 1833, eight months before "the removal of the deposits," and four or five years before the question of separating Bank and State became the dividing line of parties. Perhaps he will read it with more interest, when informed that it was, as *we believe* it was, the first *formal* proposition of a question which has since been the subject of so much controversy. *Incidentally* it had been alluded to by many: but so completely had the affairs of Bank and State become entangled, that no one previously seemed to think it was worth while to submit for consideration a plan by which bank agency in fiscal concerns might be dispensed with, and to offer a *formal* argument in support of such a plan. We have sometimes regarded with astonishment the excitement produced by a question, which eight or ten years ago engaged the attention of only a few Political Economists.

"A TRACT FOR THE TIMES."

It has often struck us with surprise that our paper money banking system should attract so little attention from the religious world. It is difficult for us to conceive of any thing more deleterious to morals, or more destructive to human happiness: yet the clergy, generally, are silent respecting it, or if they speak at all, they speak on the wrong side of the question.

Some of them, however, seem to be at last approaching the outworks of the system. The September number of the *Christian Examiner*, published at Boston, has an excellent article on the United States Bank; and the *Western Episcopal Observer*, published at Cincinnati and Louisville, contains a truly orthodox sermon on the text, "Owe no man any thing." It is the production of the Rev. John T. Brooke, Rector of Christ Church, Cincinnati, and had been published in pamphlet form, previous to its appearance in the Observer.

After a suitable exordium, Mr. B. proceeds to speak, "I. Of debts of wilful dishonesty.—II. Of debts of avaricious speculation.—III. Of debts of vanity.—IV. Of debts of imprudence," and makes some very judicious observations under each of these heads.

This is, however, only fighting with vices *in the abstract:* and "fighting with vices in the abstract, is," as Dr. Johnson says, "very safe fighting, but it is fighting with shadows." If the Church wishes to put an end, or greatly to diminish, "debts of wilful dishonesty, debts of avaricious speculation, debts of vanity, and debts of imprudence," it must bring its heavy artillery to bear on our paper money banking system.

BUENOS AYRES.

We well remember the time when it was proclaimed with a flourish of trumpets, "that the good effects of establishing a bank had already been experienced at Buenos Ayres." We noted this in the book of memory, and some years afterwards, in looking through the New York *Christian*

Advocate, found a letter from a Methodist missionary in South America, stating that in no country had paper money produced more pernicious effects than in Buenos Ayres.

But the paper money evil is one that will not cure itself. Recent files of Buenos Ayres papers, deposited at our Exchange, mention that for weeks in succession, no sales had been made of either dollars or doubloons. Under such circumstances, there is no way of testing the value of the paper currency, but by the rates of foreign exchange. On England, exchange is quoted at 2¾d per dollar. If we make due allowance for the balance of payments in favor of England, we shall find that each dollar of Buenos Ayres paper currency, is equivalent to about five cents in United States silver currency.

NEW SOUTH WALES.

The Botany Bay gentlemen seem to know one another too well, to be willing to trust one another. They have a number of banks among them, but from the accounts published in the *London* Journal of Commerce, the amount of specie in their vaults appears, with one or two exceptions, to exceed the amount of notes in circulation.

On nearly all deposits they pay interest: and yet they contrive to make enormous dividends.—Their principal profits appear to be derived from borrowing at a low rate of interest, and lending at a high.

SOUTH CAROLINA.

Governor Richardson, in his message to the Legislature says some good things, but suggests that as the charters of the present banks expire, "the whole banking capital should be merged into one system, proportionally controlled by the stockholders and the Representatives of the people." This would greatly increase the evils of the system.—If paper-money banking is to be *perpetual*, let the policy of Rhode Island be adopted, and charters granted to all who apply for them. An open monopoly is at all times to be preferred to a close one.

MISSISSIPPI.

The majority of the people of this State have, at the last election, resolved to repudiate the bonds for five million dollars granted to the Union Bank.

First, because the law under which the bonds were issued, was a violation of the Constitution of the State.

Secondly, because the provisions of the law were utterly disregarded, both by the Commissioners who sold the bonds, and the officers of the United States Bank who were the purchasers.

They admit the *moral* obligation to redeem the bonds, but affirm that that rests on the Union Bank, and not on the people of the State.

Governor McNutt has addressed a letter on the subject to the editor of the Richmond Inquirer.—In it he says—"a demand will probably be made on the Government of the United States for the payment of the bonds. This will raise an exciting and perplexing question. The State has defined her position, and will maintain it, be the consequences what they may. I firmly believe four-fifths of the people of the State prefer going to war in lieu of paying the bonds. The Whig candidates for Governor and members of the Legislature, generally, pledged themselves to oppose *any bill intended to tax the people*, to pay either the principal or interest of these bonds. But for this and national politics, the State would have been almost unanimous in opposing the payment of the bonds."

INDIANA.

The debt of this State, incurred for internal improvements, is upwards of eight millions of dollars. Besides this, there is what is called the *suspended* debt, consisting of bonds pawned to raise money to pay interest, and bonds out of which the Commissioners were outwitted, by banks and brokers, amounting to four millions more.

This makes a total of twelve millions incurred for internal improvements, and all the improvements made, would not, it is said, if sold, bring one million dollars—nay, not one half, of that sum.

Besides this, Indiana has incurred a debt in the creation of bank stock.

MICHIGAN.

A correspondent of the Public Ledger gives the following account of the condition of affairs in Michigan.

"Currency and the credit system have been completely and successfully revolutionized in Michigan. Perhaps no State in this Union had so debased a currency as Michigan, and in none was the credit system so grossly abused. Scarcely a shopkeeper or tradesman escaped destruction from its effects. Extremes provoke radical remedies. The people assembled in township and county meetings throughout the State. To cure the evil, they resolved to sell their wheat and other products for specie only, counting, as specie, notes of banks paying coin. "The Macon Specific" worked like a charm. The shinplasters flew back to the issuers, and their place is now filled by specie, which is quite abundant, and by the notes of New York banks that pay in coin. Those who predicted ruin to trade and all manner of evil, from what they honestly considered a radical and a destructive measure, were amazed to find that all kinds of industry, and every description of business, which so lately appeared as cheerless and lifeless as their forests in winter, suddenly put forth the green leaf and flourished in a healthy luxuriance before unknown.

"The reform in the credit system made perfect what the improved currency had begun. The custom of giving loose and open credits, so hazardous and destructive to all tradesmen, was by common consent abolished. The wealthiest man might send to a store a common order for a small matter, and it would surely be dishonored. The method adopted is this. Let me recommend it to Pennsylvania.

"Any person known to be good for the amount, may obtain an open credit on the shopkeepers' books by making a specific arrangement. He is required to agree in writing to make payment in

cash or produce at stated prices, on a day fixed by agreement. This plan saves the merchant all the trouble and delay of collection, and when he is ready to purchase a new stock of goods he is prepared with cash or convertible products, which are equally available in the New York market.

"The people of Michigan understand the philosophy of banking exactly. They can see very clearly that all privileges given to any set of men to make artificial money, and to charge interest upon it, the same as upon real money, is a gross fraud upon the industrious classes, robbing them of exactly so much of their hard earnings to enrich a set of scheming aristocrats who infest every country, and by specious reasoning impose enormous taxes upon the producing classes, for which the lazy rascals return no equivalent."

INCIDENTS.

Mr. Charles Esenwein, the tobacco merchant, who was spoken of in one of our former numbers, on the authority of the daily papers, as having displayed considerable skill in financiering, has returned from Europe, and made explanations which, it is presumed, have satisfied his creditors.

Col. Monroe Edwards, accused of forgeries, by which certain merchants of New York were defrauded of large amounts, has commenced suits against them, and against Recorder Vaux of this city, for the recovery of the money taken from him. He has also commenced a suit against the same individuals for damages, estimating the injury done to him at one hundred thousand dollars!

In paper financiering, the boys of the present day seem to be almost equal to the men. One of them in this city, *Pitcher* by name, has lately forged the names of his employers on checks amounting in all to $14,000. He is only nineteen years old.

Jonathan K. Hassinger, and Jonathan M. Wright, formerly President and Secretary of the Norristown Rail-Road Company, have been convicted of having issued spurious certificates of loan and of stock of the said company, amounting in the aggregate to 257,500 dollars. Hassinger was sentenced to four years imprisonment, and Wright to four months: but the latter has been pardoned by the Governor, under the belief, it is said, that he was the mere dupe of Hassinger.

Mr. Thomas L. Nicholson, the owner and occupant of the most splendid mansion in the district of Moyamensing, adjoining the city proper of Philadelphia, has been convicted of making forged entries in the books of a house in which he was employed as clerk.

The Hon. Charles F. Mitchell, ex-member of Congress from the Niagara district, to whose case we alluded to in our first number, has had a trial in the city of New York, and has been found guilty of forgery.

ACKNOWLEDGMENTS.

Our thanks are due to gentlemen at Detroit, Michigan; Hot Springs, Arkansas; Fayette, Mississippi, (fifth list;) New Orleans, Louisiana, and other places, for additions to our list of subscribers.

BANK FAILURES.

An injunction has been served on the Bank of Bennington, Vermont.

The Union Bank of Mississippi has made an assignment.

On the 27th of November, the bills of the Housatonic Rail Road Bank ceased to be redeemed in New York: and on the 29th, those of the St. Lawrence Bank of Ogdensburg. The former is a Connecticut concern: the latter one of "the free banks" of New York. Great distrust of most of "the free banking associations" appears to be entertained in that State.

The Bank of Watertown, the Commercial Bank of Oswego, the Bank of Whitestown, N. Y., and the Agricultural Bank of Brewer, Maine, are also to be numbered with the broken.

In one of our former numbers, we copied from the New York Herald, a statement of the failure of the "Aboukir Banking Company" of Iowa Territory. The Iowa City Argus requests us to state that there never has been a banking company of that name in that Territory.

THE UNITED STATES BANK.

The Grand Jury of the Court of General Sessions is now engaged in making an inquisition into the affairs of this bank. It is hoped it will be thorough and rigid.

"St. G. T. Campbell, as counsel for the judgment creditors of this bank, has" says a city paper, "attached the debts due by Messrs. Webster, Biddle, and Riddle, and also the $90,000 which it is alleged were deposited in the hands of Messrs. Handy, Lewis, and others, with the view of improperly influencing Governor Porter. In this case, the defendants are required to answer under oath."

A great many suits have lately been instituted against the debtors to this bank.

Judge Este, of the Superior Court at Cincinnati, has decided that United States bank notes are not, under the law of Ohio, a legal tender for debts due to the bank. This decision is of a favorable character for the trustees under the assignment for debts due by the U. S. Bank to the banks of Philadelphia. The property in Ohio held by those trustees, is estimated at one million dollars.

Among the securities which the Bank of the United States pledged in Europe, were bonds of the Ohio Life and Trust Company, to the amount of one million dollars. These were lately offered for sale in New York, and bought up by the said Life and Trust Company for fifty cents in the dollar.

On the night of December 1st, the following stocks, part of the property of the United States Bank, were disposed of by auction at the Philadelphia Exchange, at the following prices:

4020 shares of capital stock of the Cumberland Valley Rail-Road, in one lot,	$200 00
5202 shares of capital stock of the Sunbury and Erie Rail-Road,	130 00
3030 do. do. Franklin Rail-Road Company,	140 00
2000 do. do. Wrightsville, York, and Gettysburg Rail-Road,	200 00

These stocks, which cost the bank more than six hundred thousand dollars, sold under the hammer for $670! They were bought up by Mr. Hemphill, as was understood, for the bank.

PRICES OF BANK NOTES AND SPECIE.

Saturday, December 4th, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	— *a* ⅜ dis.	— *a* 4¼ pr.
New Hampshire	— *a* ⅜ dis.	— *a* 4¼ pr.
Vermont	— *a* ⅜ dis.	— *a* 4¼ pr.
Massachusetts	— *a* ⅜ dis.	— *a* 4⅛ pr.
Rhode Island	— *a* ⅜ dis.	— *a* 4½ pr.
Connecticut	¼ *a* ⅜ dis.	— *a* 4⅛ pr.
New York City	Standard.	4¾ *a* — pr.
New York State	— *a* 1 dis.	4 *a* — pr.
East Jersey	½ *a* — dis.	— *a* 4½ pr.
West Jersey	5½ *a* — dis.	Par *a* 1 dis.
Philadelphia	5½ *a* — dis.	Standard.
Pennsylvania, East	5½ & 6 *a*—dis.	Par *a* 1 dis.
" West	5½ & 5¾ *a*—dis.	Par.
Delaware	5½ *a* — dis.	Par.
Baltimore	4 *a* 5 dis.	1 pr.
Maryland	5 *a* — dis.	½ pr *a* 3 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	— *a* 7 dis.	— *a* 2 dis.
" West	— *a* — dis.	7 dis.
North Carolina	— *a* 5 dis.	2 dis.
South Carolina	3 & 4½ *a*—dis.	2 pr. *a* par.
Georgia	10 *a* — dis.	Par *a* 40 dis.
Alabama	10 *a* — dis.	5½ *a* — dis.
Louisiana	5 *a* — dis.	¾ *a* 1 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	9 *a* — dis.
Kentucky	9 *a* — dis.	5 *a* — dis.
Missouri		7 dis.
Illinois	12 & 15 *a* dis.	— *a* 8 dis.
Indiana	— *a* 15 dis.	— *a* 8 dis.
Ohio	15 *a* — dis.	5 *a* 8 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	5 *to* 5¼ pr.
Sovereigns	4.85 *a* 4.87	5.05 *a* 5.12
Heavy Guineas	5.00 *a* 5.05	—— *a* ——
Spanish Doubloons	16.40 *a* 16.50	16.80 *a* 17.00
Patriot Doubloons	16.00 *a* 16.10	16.40 *a* 16.60
Spanish Dollars	3 *a* 5 pr.	10 *a* 12 pr.
Mexican Dollars	1 *a* 1¼ pr.	6 *to* 7 pr.
Five Franc Pieces	94 *a* 94½ cents	98 *a* 1.00
Half Dollars	— *a* — pr.	5 *to* 5¼ pr.
BILLS OF EXCHANGE ON		
London	9 *a* 9½ pr.	14¼ *a* 15 pr.
France	5.25 *a* 5.23¾	5.00 *a* ——
Holland	40 *a* 40⅛	42 *a* ——
Hamburg	36¼ *a* —	38 *a* 38¼
Bremen	78 *a* 78¼	81¾ *a* 82
Boston	⅛ *a* ¼ dis.	4¾ *a* — pr.
New York		4¾ *a* 5 pr.
Philadelphia	5¼ *a* 5½ dis.	
Baltimore	3¾ *a* 4 dis.	1 *a* 1¼ pr.
Richmond	6 *a* 6¼ dis.	1¾ *a* 2 dis.
North Carolina	4¼ *a* 4½ dis.	
Charleston	1¼ *a* 1½ dis.	3 *a* 3½ pr.
Savannah	2¼ *a* 2½ dis.	Par.
Augusta	2¾ *a* 3 dis.	
Columbus	10 *a* 10½ dis.	
Macon	11 *a* 12 dis.	
Mobile	11 *a* 11¼ dis.	4⅛ *a* 4½ dis.
New Orleans	6 *a* 6¼ dis.	½ *a* ¾ dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	14 *a* 15 dis.	8½ *a* — dis.
St. Louis	8½ *a* 9 dis.	
Louisville	10 *a* 11 dis.	5 *a* 6 dis.
Cincinnati	13 *a* 14 dis.	— *a* 7 dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	8 *a* 12	9¼ *a* 11½
Mobile	8 *a* 11½	9¾ *a* 11½
Upland	7½ *a* 10	9 *a* 11½
Flour, Western Canal, per bbl.	6.12½ *a* 6.25	
Philadelphia	—— *a* ——	6.56 *a* 6.75
Rye Flour	—— *a* 4.25	4.12 *a* 4.25
Indian Meal	3.12½ *a* 3.25	—— *a* 3.00
Grain—Wheat, per bush	1.30 *a* 1.35	1.36 *a* 1.42
Rye	80 *a* 82	70 *a* 80
Corn	67 *a* 70	55 *a* 64
Oats	45 *a* 50	45 *a* —
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 35	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4⅛ *a* 4½	4¾ *a* —
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 9	4 *a* 8½
Wool, American, Merino, per lb.	42 *a* 45	39 *a* 41
Common	20 *a* 24	32 *a* 34
Whiskey, Rye, per gal	21 *a* 22	20 *a* 21
Provisions, Mess Beef, per bbl.	7.50 *a* 8.25	8.50 *a* 9.00
Mess Pork, per bbl.	9.25 *a* 10.00	9.00 *a* 9.50
Hams, per lb.	6 *a* 9	6 *a* 8
Lard, per lb.	6½ *a* 9	7 *a* 8
Cheese, per lb.	6½ *a* 7½	7½ *a* 8
Rice, per lb.	3¼ *a* 3⅜	3½ *a* 4

NEW COUNTERFEITS.

ALLEGHANY COUNTY BANK, ANGELICA, N. Y.—5s, letter B, payable to H. Clay, and dated June 1, 1840. Filling up engraved. Very poorly done.

BANK OF ALBANY, NEW YORK.—5s, altered from 1s, by the pasting process. Clumsily done, and with a little care, easily detected. Nov. 1, 1838.

BANK OF AUBURN, AUBURN, N. Y.—5s, letter A; pay J. Jones, June 29, 1841. Vignette, a female sitting at a wheel—Railroad car in the distance. Sigs. of Seymour, cash., and Kellogg, pres., well imitated. 5s, letter A, dated April 1, 1817; others Oct. 8, 1817. 5s, pay to B. Reed or bearer, dated Aug. 1, 1841; J. Seymour, cash.; Daniel Kellogg, pres. Engraved by S. Stiles, Sherman & Smith. Mr. Kellogg is deceased.

BANK OF CLEVELAND, CLEVELAND, OHIO.—1s, altered from Bank of Gallipolis. Signed Smith, pres.; Scoville, cashier, who were never officers of the Bank of Cleveland.

BANK OF POTTSVILLE, PA.—10s, letter A, dated Sept., 1841. Fair appearance. Paper of a reddish cast.

BANK OF WOOSTER, WOOSTER, OHIO.—5s, spurious. Vignette, two Indians, with steamboat in the distance, which is different from the genuine.

CHEMICAL BANK, NEW YORK.—5s, letter A. Pay S. Johnson. W. Williams, cash.; A. Bummell, pres. Dated March 14, 1841.

FARMERS' AND MECHANICS' BANK, BURLINGTON, N. J.—20s. Spurious: no such bank in existence.

MAINE BANK, MAINE.—5s, letter L; pay L. Hunter, dated Nov. 9, 1838. Wm. Williams, cash.; Jno. King, pres. Engraving coarse, paper dark and yellow.

MECHANICS' BANK, NEWARK, N. J.—10s altered from 1s. Vignette, female figure in sitting posture, with Blacksmith's anvil, hammer, &c. The s in the word "dollars" is added with a pen.

NORTH RIVER BANK, NEW YORK.—5s, altered from North River Banking Co., by erasing ING & CO. Vignette, an Indian figure. Leonard Dodge, cash.; M. R. Schermerhorn, president.

NORTHERN BANK OF KENTUCKY.—100s, letter B, payable to B. Moore, dated July 17, 1836. M. T. Scott, cash.; John W. Tilford, pres. Vignette dark and imperfect.

PHŒNIX BANK OF HARTFORD, CT.—20s, altered from 5s. Centre vignette, a female sitting in a car, enveloped in clouds, &c.; on left end, Figure of Lafayette, and on right, figure of Justice, with the words Fiat Justitia. The genuine 20s are different.

PRINCETON BANK, PRINCETON, N. J.—10s altered from 1s.

TRADESMAN'S BANK, NEW YORK.—5s, letter D; pay L. Seymour; dated June 2, 1835. M. H. Falls, cash.; Preserved Fish, pres. Signatures and filling up in same hand.

UNION BANK, DOVER, N. J.—5s, letter A. The female's face in the vignette badly done, and dated Juli. 1839.

BANK NOTES.

United States Bank notes are at from 34 to 38 discount, and Towanda notes at from 25 to 30. The State *bills of credit* issued by the Exchange Bank of Pittsburg, and by the Erie Bank, are also in bad repute, and are refused by many. Notes of the Bank at Lewistown, Pennsylvania, were on Saturday, Dec. 4th, generally thrown out by the brokers, in consequence of the Philadelphia agent of the bank ceasing to redeem them. Present discount, 7 per cent.

In New York, it is said, few of the brokers will buy the notes of any of "the Free Banking Associations;" and the notes of many of the Safety Fund Banks of the interior are regarded with great distrust.

THE STOCK MARKET.

There has been a further fall in stocks, attributed by some to the result of the election in Mississippi. It is believed that if one State repudiates its debt for *one* reason, another may do it for *another* reason.

Illinois 6 per cents. were at one time as low as 25 at New York, and Indiana 5 per cents. were not much higher. They have now, however, rallied some. On the 4th Dec., Illinois 6 per cents. brought 33 and 34, and some sales of Indiana fives were effected at as high rates as 35.

Pennsylvania *fives* are down as low as 60, and this in face of semi-official declarations, that the interest due in February will be punctually paid.

It is well worthy of remark, that while Pennsylvania fives are at 60, Philadelphia city stocks bearing the same rate of interest are above par.

DOMESTIC EXCHANGES.

If the reader will compare the rates given in the present number with those given in the last, he will find that at New York there has been a great increase in the rate of discount, on most places south and west of that city.

THE MONEY MARKET.

This is "tighter" than it has been at any time since we commenced this Journal. At Boston, the current rate of interest is said to be 2 per cent. a month—a necessary consequence of the banks there taking part of the U. S. loan.

CHAPTER XXVII.

Of the Fiscal Concerns of the Union.

In a report to the Senate, by the Committee of Finance, made March 29th, 1830, it is said—

"The Government receives its revenue from—

343 Custom Houses,
42 Land Offices,
8400 Post Offices,
134 Receivers of Internal Revenue,
37 Marshals,
33 Clerks of Courts.

"These, with other receiving Officers which need not be specified, compose an aggregate of more than 9,000 persons, dispersed through the whole of the Union, who collect the public revenue. From these persons the government has for the ten years preceding the 1st of January, 1830, received $230,068,855 17. This sum has been collected in every section of this widely extended country. It has been disbursed at other points, many thousand miles distant from the places where it was collected; and yet it has been so collected and distributed, without the loss, as far as the committee can learn, of a single dollar."

The most difficult point in the business of finance, is to get *possession* of money. If this point is attained, the safe-keeping of the money, the transferring of it from one part of the country to another, and the paying it away, are easy undertakings.

If "not a dollar has been lost," it has not been because the present system contains any extraordinary guards against malversation. The collectors at our custom-houses have the whole amount of money received by them, under their entire control, till it is, at stated times, transferred to the credit of the Treasury Department. Under a different system, all the public officers at each particular point, might be made checks on one another.

With a sub-treasury office in each State, the safe-keeping and disbursing of the public funds could be effected without any difficulty; and the expense of each sub-treasury office need not exceed ten thousand dollars per annum.

If it were necessary occasionally to carry silver from one part of the country to another, the government could do it as easily and cheaply as individuals. The whole amount it would be necessary to transport, would not probably exceed four or five millions a year, nor the cost go beyond one per cent. As the principal part of the United States revenue is collected in those sections of the country which have usually the rate of exchange in their favor, what the government would gain by the sale of bills of exchange in the West and South, on Boston, New York, Philadelphia, and Baltimore, would probably exceed what it would be forced to pay for the transportation of specie.

There is no novelty in this. It is the system of all policed nations except our own. In England, the bank is merely auxiliary to the Exchequer and the Treasury. The revenue collected at Liverpool, is, or was, a few years since, remitted to London through the agency of a private banker.

It has been maintained that Congress has the right to establish a paper-money corporation, *because* the constitution declares it shall have power to take all the "*necessary* and *proper* means" to carry the general provisions of that instrument into effect. It is not pretended by any that a paper-money incorporation is absolutely indispensable for the collection and disbursement of the revenue: but they choose to make the terms "necessary and proper" synonymous with the terms "*natural* and *appropriate*."

But to incorporate a bank with a capital of ten millions or of thirty-five millions, to endow that corporation with privileges which individuals do not possess, and to make its paper receivable in payment of dues to government, is a measure so wide from the proposed end, that it cannot with propriety, be considered "as necessary and proper," or, if the phrase be preferred, "as natural and appropriate." It is difficult to believe that such a measure would have been even so much as *thought of*, if it had not in itself been calculated to promote certain *private interests*. The natural and appropriate way of keeping the public funds, is in the treasury and in sub-treasury offices. The natural and appropriate way of transferring them from point to point, is by bills of exchange, and the occasional transportation of specie.

Neither is the establishment of a United States paper-money incorporated bank the "necessary and proper," or "natural and appropriate" way of correcting the evils occasioned by the State banks. A national bank, resting on the same principles as the State banks, must produce similar evils. It must "contract" and "expand" as well as they.

If Congress should, from excessive caution, or some less commendable motive, delay the passage of the necessary laws for prohibiting the issue of bank notes, the "necessary and proper" or "natural and appropriate" way of regulating the State banks, would be by declaring that nothing but gold and silver should be received in payment of dues to the government. The State banks would then be obliged to provide a sufficient fund of specie to meet the demands of the merchants having payments to make to government. This would force them to diminish the amount of notes in circulation. The government receiving and paying nothing but gold and silver, the people generally would begin to distinguish between paper and specie—between cash and credit. Simple as the measure is, it would double the amount of metallic money in the country, and prevent, in a great degree, fluctuations of currency, and oscillations of credit, by taking away one of the chief causes of the instability of bank medium.

The establishing of a paper-money incorporated bank, is not the "necessary and proper" or "natural and appropriate" way of enabling government to borrow, when borrowing is advisable. A bank may, when instituted, lend to government its whole capital, or so much, at least, as is not required for supporting its credit and circulation: but it is not often that it can, after it has been some time in operation, make any great loan to government, without either curtailing mercantile accommodations, or issuing an excess of paper. Nearly all the *great* "expansions" and "contractions" that have occurred in both England and the United States, can be traced to attempts to convert banks into fiscal machines. If the operations of government could be *completely* separated from those of the banks, the system would be shorn of half its evils. If government would neither deposit the public funds in the banks, nor borrow money from the banks; and if it would in no case either receive bank notes or pay away bank notes, the banks would become mere commercial institutions, and their credit and their power be brought nearer to a level with those of private merchants.

The "necessary and proper," or "natural and appropriate" way of placing the financial concerns of the country on such a basis as will enable us to provide for all exigencies, is to make gold and silver coin the exclusive money of the country. We shall then be prepared for either peace or war.

To depend on the banks in time of war, after the experience of both England and the United States, would be the height of infatuation. The impression produced on the minds of men by the suspension of specie payments, is so fresh, that on a new declaration of war, it is probable a great part of the deposits would be withdrawn. If the banks should escape this evil, the landing of a hostile force of but a few thousand men on any part of the coast, would create "a run" which would compel most of them to suspend payment.—If government should, to forward its financial schemes, sanction or connive at a suspension of specie payments, it would be instrumental in producing such evils as we suffered in years past.

A war imposes on government the necessity of expending the greater portion of its revenues in a section of country distant from that in which it collects it. The payment of the war taxes in a single year, would deprive a great part of the Union of its specie. The sources of foreign supply would be cut off, and much of the specie which flowed from the interior to the frontiers, would be exported. It would not return in sufficient quantities, or sufficiently early to meet the wants of either the people or the government.

A vigorous war of but two years continuance, in which our foreign commerce would be interrupted, must produce one of two results. It must either compel the banks to suspend specie payments, and thus produce evils which no pen can adequately describe; or else force them to curtail mercantile accommodations, and thus spread ruin through the community. To sustain the credit of bank medium, it would be necessary to reduce it to much less than its present amount: and as it would be impossible in a state of war, immediately to obtain a sufficient supply of gold and silver coin, the government and the people would suffer all the evils of an insufficient circulating medium.

We have profited in some respects, by the experience of the last war. We have built ships, constructed fortifications, and collected military stores. But "money is the sinews of war;" and it must be real money. Paper-money will not then answer.

Let bank notes be withdrawn, and such an accumulation of gold and silver coin will be made by individuals, that in no possible exigency will there be a real scarcity of money. This is evident from the condition of certain countries in which paper money is unknown. In Flanders, for example, every farmer has a little purse of gold or silver—small in proportion to his property, but making the aggregate throughout the country very consi-

derable. Nothing is lost by this practice.—It is impossible to keep the whole wealth of a country in constant circulation. If a man's whole stock consists of but two suits of clothes, he cannot wear them both at the same time. It is of little moment as regards individuals, whether their reserved stock be in money or in those things which money can procure. In a national point of view nothing is lost by this custom. It insures the punctual performance of contracts. No man has to call twice on a farmer in Flanders, for the payment of a debt. Whatever may be the vicissitudes of war or of commerce, there is never in that country a scarcity of the tool of all trades.

We have that amount of metallic money in the United States, which is barely sufficient, in the most favorable state of things, for daily exchanges, and which would not answer even in the most favorable state of things, if we had not various modes of barter, and different credit contrivances. As much time is lost every year, in "dunning for debts," as would, if properly employed, purchase some millions of metallic medium. Let the natural order of things be restored, and a sufficiency of metallic money will be collected, to enable the country to bear transitions from peace to war, and to answer all the demands of commerce, both ordinary and extraordinary. As it is the custom of all prudent families in rural districts, to have on hand a greater quantity of flour and other necessaries, than is required for the use of the twenty-four hours, so it will become the custom for each prudent family to have a little money in reserve. Out of this stock, the war taxes will be paid, and before the original stock is completely exhausted, a portion of it will come back to them in the regular course of trade.

Few people are more able than those of the United States to contribute what is necessary for the defence of their country. Few people, if we had a proper money system, would be more willing. Ask the farmer, if, in a war undertaken in a just and righteous cause, he would not be willing to contribute a certain number of bushels of wheat to vindicate the honor of the nation or secure its safety. Ask the shoemaker, if he would not be willing to contribute a certain number of pairs of shoes. Ask the day laborer, if he would not be willing, in such a contingency, to labor a certain number of days on the fortifications. Now, what a nation actually consumes in the course of a war, is labor and the products of labor: but the taxes cannot be conveniently collected in kind, and to collect them in money is impossible, for the people have it not to give.

Let those obstacles be removed which prevent our acquiring such a stock of metallic money as is adapted to varying exigencies, and in times of hostilities, neither productive industry nor commercial credit will be affected more than is necessary by the incidents of war. In this condition of things, the government could easily raise considerable sums by taxation. If it chose to borrow, the negotiation of its loans would not, as in the last war, derange the whole train of mercantile operations. Simply by collecting taxes enough to pay the annual interest, it could borrow to any desirable extent. If the loanable capital of our own country were not sufficient to meet its wants, it would have the market of the world from which to supply the deficiency.

But let the present system continue, and in a state of war, the government must get into financial embarrassments, in attempting to extricate itself from which, it will, as in the last war, involve thousands in ruin.

CHAPTER XXVIII.

Of Banking on Proper Principles.

There is nothing novel in the modern system of banking, except its being carried on by corporations and by the instrumentality of paper-money.

Private bankers were known to the Greeks, the Romans and the Jews. At Rome, especially, they appear to have been very numerous, and to have done an extensive business. The shops around the Great Forum were chiefly occupied by them, and we may learn from Cicero and other ancient authors, that the Romans commonly paid money by their intervention. A Roman would sometimes give an order, or, as we should say, draw a check on his banker: but the usual way of managing pecuniary transactions, was by writing their names in the banker's books.*

Previous to the establishment of the Bank of England, the goldsmiths of London performed most of the functions of bankers.—To those who deposited money with them, they sometimes allowed six per cent. interest, but the usual rate did not exceed four per cent.

* "In foro, et de mensæ scriptura, magis quam ex arca domoque, vel cista, pecunia numerabatur."—*Terence.*

In Virginia, as is stated by a writer in the Richmond Inquirer, the merchants formerly acted as bankers to the planters. Governor Wolcott, in his message to the legislature of Connecticut, in May, 1826, says that "private banks existed in this country before and a short time subsequent to the revolutionary war."

As a country advances in wealth and population, the business of dealing in money naturally becomes a distinct profession. It is a business which requires no laws for its special encouragement: no charters to cause it to be conducted to the public advantage. The trade in money is as simple in its nature as the trade in flour or the trade in tobacco, and ought to be conducted on the same principles.

Restore the natural order of things, by abolishing money corporations, and, in those parts of the country where there is little population, little wealth, and little commerce, there will be little banking: while in those districts where commerce is extensively carried on, bankers will rise up in proportion to the wants of the community.

In most villages, all the call there is for bankers could be answered by the postmasters. Offices of deposit, of transfer, and of loan, are not necessary in villages. The only call there for a dealer in money, is to collect debts due to a person at a distance, and transmit the money to those to whom it is due.—The publishers of periodicals now collect a great part of what is owing to them on account of subscriptions, through the medium of postmasters. Many of the debts due to merchants might be conveniently collected in the same way, if government were careful to appoint none but solvent and trustworthy persons to be postmasters: and if it should make a rule to remove them on proof being given of their having neglected to pay over the money which they had collected.

But, it would not be necessary for government to go even thus far, for us to have a good banking system. The postmaster, in most small towns, would stand the best chance of becoming collector of debts for persons at a distance, and the commissions he would receive would, in many cases, exceed the amount paid to him as a public officer: but if he were found untrustworthy, or incapable, the business would be transferred to the storekeeper, or some other respectable inhabitant of the village.

In the larger towns, and even in the small towns which are centres of wealthy districts, the business of dealing in exchanges, and of acting as an agent between lenders and borrowers, would become a distinct profession.

In each city the number of bankers would be in proportion to the amount of business to be done, and their capital in proportion to the trade of the city. A merchant of Philadelphia who wished a note discounted, would, instead of having his choice among a dozen corporations, have his choice among perhaps twice that number of private bankers. Instead of being obliged to approach the supercilious director of some overgrown moneyed institution, he would deal with a private trader, to whom it would be of as much importance to lend as it would be to himself to borrow. The extent of business these private bankers would do, would depend, in a degree, on the disposition they showed to accommodate their customers. The competition amongst them would be so lively, that, after the manner of the bankers of Europe, they would allow an interest on deposits. Being responsible in the whole amount of their private fortunes, they would seldom extend their loans so far as to cherish the wild spirit of speculation. Their whole fortunes would be in the business, and their whole faculties exerted for its proper management, and it is in this way only that *any* business can be well conducted.

If there should be a necessity for placing any restrictions on these private bankers, it would be simply that of restraining them from issuing notes, bills, or checks, which would circulate in the same way as the present bank notes. Some intelligent men who have turned their attention to the subject, think that even this would not be necessary. They are of opinion that the competition among private bankers would be so brisk, that they would effectually check one another.

In opposition to this it may be urged, that much has been lost by the breaking of private bankers in England; though it must be admitted, this is not a case exactly in point, since the private bankers of England are influenced in their operations, though not regulated, by the great corporate institution of that kingdom.

In Scotland, where the private banks have the predominance, little has been lost by the breaking of these institutions. But the evils produced by the occasional breaking of a bank, are far from being the greatest evils of the system. No instance has occurred of a

bank breaking in Philadelphia, and yet who can adequately describe all that the people of this city have endured from banking? We have satisfactory evidence that the Scotch banks, by their "expansions" and "contractions," produce evils, the same in kind, though not in degree, as are felt in Philadelphia.

But in neither England nor Scotland, can we, perhaps, be said to have a fair example of private banking, as the government receives bank notes in payment of taxes. When the government receives any kind of paper, the people lose their clear perception of the difference between cash and credit, and where room is made in this way for the circulation of notes, the most worthless sometimes obtain circulation as easily as the best. "Numberless instances," says the Edinburg Review, "have occurred in the history of British banking, within the last few years, in which the notes of individuals without any real capital, and who were from the beginning in a state of insolvency, have continued to circulate for a long period in company with the notes of the best established houses, and to enjoy an equal degree of credit."

The private bankers on the continent of Europe do not circulate any paper, but it is not in our power to say, whether this is, in all instances, owing to obstacles thrown in their way by government, or to the indisposition of the people to receive paper where it is not taken in payment of taxes.

If notes issued by private bankers, should circulate as the notes of the present corporations, they would become money. As a credit money, they would necessarily fluctuate in quantity. It is not desirable that, in addition to changes in the state of credit, proceeding from great natural or political causes, we should have changes in the currency, to add to the uncertainty of trade.*

If these notes produced no other evil, they would prevent us from accumulating that stock of metallic money, which is required for the varying exigencies of peace and war. After they had been for a time in circulation, the receiving of them would be, as in the case of the present bank notes, a matter of necessity rather than of choice.

The evil would indeed in time correct itself; but if we can prevent it, why suffer it at all?†

We can certainly carry the credit system far enough, by the agency of ledger entries, notes of hand, bills of exchange, and bonds and mortgages. We do not require the additional aid of credit money, to run us deeper in debt.

Why should a private banker, having a capital of his own of five hundred thousand or a million dollars, and deriving therefrom an income of thirty thousand or of sixty thousand per annum, desire to double his income, by the circulation of paper-money?—He would make a legitimate use of his credit, in receiving money on deposit, at five per cent., and lending it again at six per cent.—More than this he ought not to desire.‡

If the capital of a private banker is small, he will derive as much profit from his credit as he is justly entitled to, in his commission on bills of exchange, and in the difference between the rate he will pay for money taken by him on deposit, and that at which he will lend this money to others.

The issue of notes by bankers, for the convenient management of their own business, will not be necessary. The private bankers of London and Lancashire issue no notes.—At the clearing-house in London, in which their accounts are daily settled by an exchange of checks, transactions to the amount of four

* "Hitherto," says Tooke, "the Legislature has restricted individuals, under the severest penalties, from establishing private mints, and uttering metallic money of intrinsic and indestructible value; yet, with a degree of inconsistency which strkes us as most extraordinary the more attentively we consider it, our law-makers have permitted individuals to establish private banks of circulation—and to utter paper-money, possessed of only a conventional value, which *a breath of panic may at any time destroy*. On the same principle that the government protects the public against the probable insecurity which might arise from individuals being permitted to utter metallic currency, it should guard against the more probable—nay, *certain insecurity* which is created when individuals utter a paper currency. In every civilized country, supplying and regulating the circulating medium is a function of the sovereign prerogative."

† What is here advanced is not at variance with the principles of Adam Smith, as will be seen by the following extract from his writings:

"To restrain private people, it may be said, from receiving in payment the promissory notes of a banker for any sum, whether great or small, when they themselves are willing to receive them; or, to restrain a banker from issuing such notes, when all his neighbors are willing to accept them, is a manifest violation of that natural liberty which it is the proper business of law not to infringe but to support. Such regulations may, no doubt, be considered as in some respect a violation of natural liberty. But those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be restrained by the laws of all governments: of the most free as well as the most despotical. The obligation of building party walls, in order to prevent the communication of fire, is a violation of natural liberty, exactly of the same kind with the regulations of the banking trade which are here proposed."

The proposal Adam Smith here supports, is that of prohibiting private bankers from issuing notes of a less denomination than five pounds sterling, nearly *twenty-five dollars*, Federal money. On the principles on which he proposes to prohibit the issue of notes of some denominations, the issue of notes of all denominations may be prohibited.

‡ "There is no more reason why a man, or body of men, should be permitted to demand of the public, interest for their reputation of being rich, than there would be in permitting a man to demand interest for the reputation of being wise, learned, or brave. If a man is actually rich, it is enough for him to receive interest for his money, and rent for his land, without receiving interest for his credit also."—*Raymond.*

or five millions sterling are adjusted with the help of about two hundred thousand pounds in money.

If arrangements of this kind were not found to answer the desired end, a public office of transfer and deposit might be established in each city, on the model of the bank of Hamburg, with the exception of buying and selling bullion and dealing in exchange, which ought to be left to private bankers. The establishing of such an office would be attended with a little expense, but if it would not be worth paying for, it would not be worth having. If the bankers objected to paying all the expense, the government might, as such an office would be a safe and convenient depository of the public funds, share the expense with them. There is nothing in the constitution to prevent the establishment of public banks, which shall be mere offices of deposit and transfer. And as such banks would be a great public benefit, the defraying of their necessary expenses out of the public revenue would not be objectionable.

In this way we should secure all the advantages the present system affords, and avoid all its disadvantages.

We should have places of deposit safer than the present; for the money deposited in a public bank by one man would not be lent to another.

The business of settling accounts by transfers of credit, would be greatly facilitated.— One public bank would suffice for each city, and the time which is now lost in running from bank to bank, would be saved.

The private banks, paying interest on deposits, would extend throughout the country the advantages of saving institutions.

Men who wished to borrow, would deal with a private banker as with an equal, instead of dealing, as at present, with an overgrown corporation, as with a superior.

The business of dealing in exchange, would be better conducted than at present, for it would be left free to individuals, and they would show the same disposition to oblige and to give satisfaction, that is now evinced by the dry goods merchant, or the importer of groceries.

Instead of having to pay the expense of three or four hundred public banks, we should have to pay the expense of only twenty or thirty, for this number of offices of deposit and transfer would suffice for the whole United States.

We should escape all the evils that flow from banks as corporations, from fluctuations of the circulating medium, and from the false system of credit which has its origin in the present banking system.

And what should we lose? The supporters of the present system admit that "the only substantial advantage attending paper-money appears to be its cheapness." Taking their own estimates of the amount of bank notes and bank credits, the sum thus gained does not amount to more than forty cents a year for each individual in the nation. Is it worth while for so trifling a gain, (admitting it, by way of argument, to be a gain,) to endure all the evils of a bad system, and forego all the advantages of a good?

CHAPTER XXIX.

Probable Consequences of the Continuance of the Present System.

To infer that because a system produces great evil, it must soon give way, would be to argue in opposition to all experience. If mere suffering could produce reformation, there would be little misery in the world.

Too many individuals have an interest in incorporated paper-money banks, to suffer the truth in relation to such institutions to have free progress. Too many prejudices remain in the minds of a multitude who have no such interest, to permit the truth to have its proper effect.

It is therefore rational to conclude, that the present system may, at least with modifications, continue to be the system of the country—not for ever, as some seem to think, but for a period which cannot be definitely calculated. It is also rational to conclude that the effect it will have on society in time to come, will be similar to the effect it has had in time past. We have then, in the present state of the country, the means of judging of its future condition.

No system of policy that can be devised, can prevent the United States from advancing in wealth and population. Our national prosperity has its seat in natural causes which cannot be effectually counteracted by any human measures, excepting such as would convert the government into a despotism like that of Turkey, or reduce the nation to a state of anarchy resembling that of some countries of South America.

Our wealth and population will increase

till they become equal for each square mile to the wealth and population of the continent of Europe.

We are now very far from this limit. Under a good system, we cannot reach it in less than one or two hundred years. Under a bad system in not less, perhaps, than three or four hundred.

If we had a political system as bad as that of Great Britain, with its hereditary aristocracy, its laws of entail and primogeniture, its manufacturing guilds, its incorporated commercial companies, its large standing army, its expensive navy, its church establishment, its boroughmongering, its pensions and its sinecures, our advancement would be seriously retarded. But our wealth and population would, notwithstanding, continue to increase, till they should bear the same ratio to the natural resources of the country, that the wealth and population of Great Britain have to the natural resources of that island.

The progress of opulence in the United States in the next forty or fifty years, will probably be very great. Many of the natural resources of wealth are as yet unappropriated. In no part of the country has their productiveness been fully developed. The people have now sufficient capital to turn their land and labor to more profit than was possible in any previous period of our country's history.

The daily improvements in productive machinery, and especially in the application of steam power, the discoveries in science, the introduction of new composts and new courses of crops in agriculture, the extension of roads and canals, have all a tendency to increase the wealth of the country till the aggregate shall be enormous.

But this increase of wealth will be principally for the benefit of those to whom an increase of riches will bring no increase of happiness; for they have already wealth enough, or more than enough. Their originally small capitals have in the course of a few years been doubled, trebled, and in some instances quadrupled. They have now large capitals, which will go on increasing in nearly the same ratio.

As no kind of property is prevented from becoming the prize of speculation by laws of entail, it is not very easy to set bounds to the riches which some of our citizens may acquire. Their incomes may be equal to those of the most wealthy of the European nobility. Think, for a moment, of the immense accession of wealth certain families in the neighborhood of large cities and other improving towns must receive from the conversion of tracts of many acres into building lots. For ground which cost them but one hundred dollars an acre, they may get ten thousand dollars, twenty thousand dollars, or twenty-five thousand dollars. This will be without any labor or expenditure of capital on their own part. The land will be increased in value, by the improvements made around it at the expense of other men.

But this is but one of the ways in which the wealth of the rich will increase. It has heretofore been found that capital invested in lots, even in the neighborhood of the most flourishing towns, doubles itself less rapidly than capital devoted to other purposes of speculation. In whatever way it may be employed, the capital of the rich will, in the aggregate, increase in a ratio approaching that of compound interest.

The vicissitudes of fortune will be, as they have been in past years, many and great; but they will tend to increase the inequality of social condition, by throwing the wealth of several rich men into the hands of one. It is seldom that the vicissitudes of fortune distribute the wealth of a few among the many.

An increase in the number of banks must be expected. If the system is to be *perpetual*, an increase in the number of these institutions would not, in some respects, be an evil; for seven hundred banks could circulate no more paper than three hundred and fifty. But every new bank is a new centre of speculation, and one kind of stock-jobbing gives birth to another. We shall have new schemes for growing rich without labor—similar to the British bubble companies of 1825—perhaps to the former speculations in Washington City lots—perhaps to the recent speculations in Pennsylvania coal lands.—The present rage for rail-road stock shows that part of our population already want something to be crazy about—or rather want something through which they may set their neighbors crazy. The old modes of speculation no longer afford full employment for their time and talents.

Nearly all the secondary operations of society will tend to increase the disparity between the rich and poor as different classes of the community, and not a small proportion of the rich will, in due time, become as luxurious and as corrupt, as ostentatious and as supercilious, as the "first circles" in the most dissipated capitals of Europe.

Their early habits of industry and economy cleave to some of the rich men of the present day. Hence they are as useful and as modest members of society as many who are in moderate circumstances. But when their immense wealth passes, as pass it must in a few years, to their heirs, who know not the value of money, because they never knew the want of it, it will be lavished in every way which corrupt inclination can dictate.

While some will be enormously rich, there will be a considerable number in a state of comfort, as in Great Britain, and very many in a state of disconsolate poverty. Some years must indeed elapse, before the number of paupers and criminals, and of persons whose condition borders on pauperism, will bear that proportion to population in America which they now do in Europe. In our immense extent of uncultivated land, the poor have a place to fly to; but the spirit of speculation will follow them there. We need not wait till the country is fully peopled to experience a measure of these evils. While some parts of the Union will have all the simplicity, the rudeness, and the poverty of new settlements; others will exhibit all the splendor and licentiousness, and misery and debasement, of the most populous districts of Europe.

The beginning of this state of things is already observable. According to the estimates of Mr. Niles, the number of paupers in the maritime counties of the United States, was, in 1815, in the proportion of one to every one hundred and thirty inhabitants; and in 1821, in the proportion of two to every one hundred and thirty.

The published accounts do not give the number of *persons* admitted into the alms-houses or committed to the prisons of Philadelphia in the course of a year; but the number of *commitments* of criminals and vagrants amounts to three or four thousand annually, and the number of *admissions* into the alms-house is equally considerable. As the same person may be *admitted* or *committed* several times, we cannot give the exact number of either paupers or criminals. But at one time last winter, there were upwards of sixteen hundred poor persons in the Spruce Street Alms-house; and many more were receiving out-door relief.*

* Part of this pauperism and criminality must be attributed to European Institutions, as the character of the subjects was formed before they migrated to America. Another part is of domestic origin.

In some years, the public expenditures on account of the poor in Philadelphia, exceed the expenditures on the same account in Liverpool.

Some of the members of a commission, appointed about twelve years ago to inquire into the causes and extent of pauperism in Philadelphia, estimated the cost of relieving the poor at between four hundred and five hundred thousand dollars a year. In this estimate was included what is given in private charity, as well as what is given in public: and an allowance was made for rent of alms-houses and hospitals, or for interest on the first cost of land and buildings set apart for the use of the poor. At that time the population of the city and suburbs did not much exceed one hundred and twenty thousand.

We may increase the legal provision for the relief of the indigent, and multiply alms-houses and hospitals. But nothing of this kind can supply the want of just laws and of equal institutions.

Efforts may be made in various ways to diffuse the blessings of education, and to promote moral and religious improvement. But these efforts will only alleviate our social evils: they cannot cure them.

In no small degree will the public distress be increased by well-meant but ill-directed attempts to give relief. There is a class of politicians, (and they are unfortunately numerous and powerful,) who have for each particular social evil a legal remedy. They are willing to leave nothing to nature; the law must do every thing.

This is, most unfortunately, the kind of legislation which public distress is almost sure to produce. Instead of tracing its cause to some *positive* institution, the removal of which, though it might not immediately relieve distress, would prevent its recurrence, men set themselves to heaping law upon law, and institution upon institution. They in this resemble quacks who apply lotions to the skin to cure diseases of the blood, or of the digestive organs, occasioned by intemperate living.

These projects of relief and efforts at corrective legislation, will be numberless in multitude and diversified in character: but as they will not proceed on the principle of "removing the cause that the effect may cease," they will ultimately increase the evils they are intended to cure.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, December 22, 1841. No. 13.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

THE PRESIDENT'S MESSAGE.

On the 4th of December, the first regular session of the Twenty-Seventh Congress commenced; and on the 7th, the President sent in his message. From it we extract such passages as relate to banking and currency.

"At your late session, I invited your attention to the condition of the currency and exchanges, and urged the necessity of adopting such measures as were consistent with the constitutional competency of the Government, in order to correct the unsoundness of the one, and, as far as practicable, the inequalities of the other. No country can be in the enjoyment of its full measure of prosperity, without the presence of a medium of exchange, approximating to uniformity of value. What is necessary as between the different nations of the earth, is also important as between the inhabitants of different parts of the same country. With the first, the precious metals constitute the chief medium of circulation, and such also would be the case as to the last, but for inventions comparatively modern, which have furnished, in place of gold and silver, a paper circulation. I do not propose to enter into a comparative analysis of the merits of the two systems. Such belonged more properly to the period of the introduction of the paper system. The speculative philosopher might find inducements to prosecute the inquiry; but his researches could only lead him to conclude, that the paper system had probably better never have been introduced, and that society might have been much happier without it. The practical statesman has a very different task to perform. He has to look at things as they are, to take them as he finds them, to supply deficiencies, and to prune excesses as far as in him lies. The task of furnishing a corrective for derangements of the paper medium with us, is almost inexpressibly great. The power exerted by the States to charter banking corporations, and which, having been carried to a great excess, has filled the country with, in most of the States, an irredeemable paper medium, is an evil which, in some way or other, requires a corrective. The rates at which bills of exchange are negotiated between different parts of the country, furnish an index of the value of the local substitute for gold and silver, which is, in many parts, so far depreciated as not to be received, except at a large discount, in payment of debts, or in the purchase of produce. It could earnestly be desired that every bank, not possessing the means of resumption, should follow the example of the late United States Bank of Pennsylvania, and go into liquidation, rather than by refusing to do so, to continue embarrassments in the way of solvent institutions, thereby augmenting the difficulties incident to the present condition of things. Whether this Government, with due regard to the rights of the States, has any power to constrain the banks, either to resume specie payments, or to force them into liquidation, is an inquiry which will not fail to claim your consideration. In view of the great advantages which are allowed the corporators, not among the least of which is the authority contained in most of their charters, to make loans to three times the amount of their capital, thereby often deriving three times as much interest on the same amount of money, as any individual is permitted by law to receive, no sufficient apology can be urged for a long-continued suspension of specie payments. Such suspension is productive of the greatest detriment to the public by expelling from circulation the precious metals, and seriously hazarding the success of any effort that this Government can make, to increase commercial facilities, and to advance the public interests. This is the more to be regretted, and the indispensable necessity for a sound currency becomes the more manifest, when we reflect on the vast amount of the internal commerce of the country. Of this we have no statistics nor just data for forming adequate opinions. But there can be no doubt but that the amount of transportation coastwise by sea, and the transportation inland by railroads and canals, and by steamboats and other modes of conveyance over the surface of our vast rivers and immense lakes, and the value of property carried and interchanged by these means, form a general aggregate, to which the foreign commerce of the

country, large as it is, makes but a distant approach.

"In the absence of any controlling power over this subject, which, by forcing a general resumption of specie payments, would at once have the effect of restoring a sound medium of exchange, and would leave to the country but little to desire, what measure of relief, falling within the limits of our constitutional competency, does it become this Government to adopt? It was my painful duty, at your last session, under the weight of most solemn obligations, to differ with Congress on the measures which it proposed for my approval, and which it doubtless regarded as corrective of existing evils. Subsequent reflection, and events since occurring, have only served to confirm me in the opinions then entertained and frankly expressed.

"I must be permitted to add, that no scheme of governmental policy, unaided by individual exertions, can be available for ameliorating the present condition of things. Commercial modes of exchange, and a good currency, are but the necessary means of commerce and intercourse, not the direct productive sources of wealth. Wealth can only be accumulated by the earnings of industry and the savings of frugality; and nothing can be more ill-judged than to look to facilities in borrowing, or to a redundant circulation, for the power of discharging pecuniary obligations. The country is full of resources, and the people full of energy; and the great and permanent remedy for present embarrassments must be sought in industry, economy, the observance of good faith, and the favorable influence of time.

"In pursuance of a pledge given to you in my last message to Congress, which pledge I urge as an apology for adventuring to present you the details of any plan, the Secretary of the Treasury will be ready to submit to you, should you require it, a plan of finance which, while it throws around the public treasure reasonable guards for its protection, and rests on powers acknowledged in practice to exist from the origin of the Government, will, at the same time, furnish to the country a sound paper medium, and afford all reasonable facilities for regulating the exchanges. When submitted, you will perceive in it a plan emendatory of the existing laws in relation to the Treasury Department—subordinate in all respects to the will of Congress directly, and the will of the people indirectly—self-sustaining, should it be found in practice to realize its promises in theory, and repealable at the pleasure of Congress. It proposes, by effectual restraints, and by invoking the true spirit of our institutions, to separate the purse from the sword, or more properly to speak, denies any other control to the President over the agents who may be selected to carry it into execution, but what may be indispensably necessary to secure the fidelity of such agents; and, by wise regulations, keeps plainly apart from each other, private and public funds. It contemplates the establishment of a board of control, at the seat of Government, with agencies at prominent commercial points, or wherever else Congress shall direct, for the safe-keeping and disbursement of the public moneys, and a substitution, at the option of the public creditor, of treasury-notes, in lieu of gold and silver. It proposes to limit the issues to an amount not to exceed $15,000,000, without the express sanction of the legislative power. It also authorizes the receipt of individual deposits of gold and silver to a limited amount, and the granting certificates of deposit, divided into such sums as may be called for by the depositors. It proceeds a step further, and authorizes the purchase and sale of domestic bills and drafts, resting on a real and substantial basis, payable at sight, or having but a short time to run, and drawn on places not less than one hundred miles apart; which authority, except in so far as may be necessary for Government purposes exclusively, is only to be exerted upon the express condition that its exercise shall not be prohibited by the State in which the agency is situated. In order to cover the expenses incident to the plan, it will be authorized to receive moderate premiums for certificates issued on deposits, and on bills bought and sold; and thus, as far as its dealings extend, to furnish facilities to commercial intercourse at the lowest possible rates, and to subduct from the earnings of industry the least possible sum. It uses the State banks at a distance from the agencies, as auxiliaries, without imparting any power to trade in its name. It is subjected to such guards and restraints as have appeared to be necessary. It is the creature of law, and exists only at the pleasure of the Legislature. It is made to rest on an actual specie basis, in order to redeem the notes at the places of issue; produces no dangerous redundancy of circulation; affords no temptation to speculation; is attended by no inflation of prices; is equable in its operation; makes the treasury-notes, which it may use along with certificates of deposit, and the notes of specie-paying banks, convertible at the place where collected, receivable in payment of Government dues; and without violating any principle of the constitution, affords the Government and the people such facilities as are called for by the wants of both. Such, it has appeared to me, are its recommendations; and, in view of them, it will be submitted, whenever you may require it, to your consideration.

"I am not able to perceive that any fair and candid objection can be urged against the plan, the principal outlines of which I have thus presented. I cannot doubt but that the notes which it proposes to furnish, at the voluntary option of the public creditor, issued in lieu of the revenue, and its certificates of deposit, will be maintained at an equality with gold and silver everywhere.—They are redeemable in gold and silver on demand, at the places of issue. They are receivable everywhere in payment of Government dues. The treasury-notes are limited to an amount of one fourth less than the estimated annual receipts of the Treasury; and, in addition, they rest upon the faith of the Government for their redemption. If all these assurances are not sufficient to make them available, then the idea, as it seems to me, of furnishing a sound paper medium of exchange, may be entirely abandoned.

"If a fear be indulged that the Government may be tempted to run into excess, in its issues at any future day, it seems to me that no such apprehension can reasonably be entertained, until all confi-

dence in the representatives of the States and of the people, as well as of the people themselves, shall be lost. The weightiest considerations of policy require that the restraints now proposed to be thrown around the measure should not for light causes be removed. To argue against any proposed plan its liability to possible abuse, is to reject every expedient, since everything dependant on human action is liable to abuse. Fifteen millions of treasury-notes may be issued as the *maximum;* but a discretionary power is to be given to the board of control under that sum, and every consideration will unite in leading them to feel their way with caution. For the first eight years of the existence of the late Bank of the United States, its circulation barely exceeded $4,000,000; and for five of its most prosperous years, it was about equal to $16,000,000. Furthermore, the authority given to receive private deposits to a limited amount, and to issue certificates in such sums as may be called for by the depositors, may so far fill up the channels of circulation as greatly to diminish the necessity of any considerable issue of treasury notes. A restraint upon the amount of private deposits has seemed to be indispensably necessary, from an apprehension, thought to be well founded, that in any emergency of trade, confidence might be so far shaken in the banks as to induce a withdrawal from them of private deposits, with a view to insure their unquestionable safety when deposited with the Government, which might prove eminently disastrous to the State banks. Is it objected that it is proposed to authorize the agencies to deal in bills of exchange? It is answered, that such dealings are to be carried on at the lowest possible premium; are made to rest on an unquestionably sound basis; are designed to reimburse merely the expenses which would otherwise devolve upon the Treasury; and are in strict subordination to the decision of the Supreme Court in the case of the Bank of Augusta against Earle, and other reported cases; and thereby avoids all conflict with State jurisdiction, which I hold to be indispensably requisite. It leaves the banking privileges of the States without interference; looks to the Treasury and the Union; and, while furnishing every facility to the first, is careful of the interests of the last. But above all, it is created by law, is amendable by law, and is repealable by law; and, wedded as I am to no theory, but looking solely to the advancement of the public good, I shall be among the very first to urge its repeal, if it be found not to subserve the purposes and objects for which it may be created. Nor will the plan be submitted in any overweening confidence in the sufficiency of my own judgment, but with much greater reliance on the wisdom and patriotism of Congress. I cannot abandon this subject without urging upon you, in the most emphatic manner, whatever may be your action on the suggestions which I have felt it my duty to submit, to relieve the Chief Executive Magistrate, by any and all constitutional means, from a controlling power over the public Treasury. If, in the plan proposed, should you deem it worthy of your consideration, that separation is not as complete as you may desire, you will, doubtless, amend it in that particular. For myself, I disclaim all desire to have any control over the public moneys, other than what is indispensably necessary to execute the laws which you may pass."

REMARKS.

What the President proposes, is, briefly, a GOVERNMENT BANK of *deposit, issue* and *exchange.*

Against *the issue* and *exchange* features of the scheme, the following, among other objections, may be urged.

1st. Through the issue of $15,000,000 in Treasury notes, the national debt will be increased to this amount. Our national debt is already greater than it ought to be in time of peace.

2nd. These Treasury notes will, in so far as they serve as a circulating medium, drive real money out of the country. Our true policy should be to increase the amount of gold and silver coin in circulation, not to diminish it.

3rd. Extravagance in appropriations, and prodigality in expenditure, are sure to follow when Government can raise ways and means without either imposing taxes or paying interest.

4th. This new Government paper will, like all other Government paper, depreciate in value. This is not matter of conjecture. It is matter of certainty. It is quite possible to *fancy* a system, by which the redemption of Government paper may keep pace with its issue, and the paper be thus kept at par with specie, but it is not possible, as human nature is at present constituted, to find agents who will, through a series of years, consistently carry out the principles of such a system.

5thly. Under our present system, though we have a very *unsound circulating medium,* we have a *sound standard of value.* So long as this continues, we have a test of the varying value of our paper currencies, and some guide in making contracts. But let Government once begin to receive inconvertible paper, whether issued by itself or by a corporation, and our *standard of value* will be gone. Then the evils we endure, will be increased five fold, yea ten fold.

6thly. Half the evils society suffers, arise from the attempts of Government to do that which ought to be done by individuals. The regulation of weights and measures, and among other measures, measures of value, is one of the attributes of sovereignty; but not the regulation of the prices of bills of exchange, or of other commodities. Government has, properly speaking, nothing more to do with regulating the prices of bills of exchange, than the prices of beef or of butter, of

corn or of cotton. Let our measures of value, length, weight, and capacity, be properly adjusted, and the rates of bills of exchange and of all other commodities, will be much better regulated by free competition than they can be by Governmental enactments.

7thly. Supposing it possible to carry on the exchange operations of the country, by means of such governmental agencies as are here proposed, an immense amount of capital would be required. As we have now no "surplus revenue," this capital must be borrowed, and thus make another addition to the national debt. For a time, indeed, as Government has a credit every where, it might sustain its exchange operations by a species of *kiting*. But, before long, the kite strings would break, and the kites come to the ground.

8thly. This union of the fiscal concerns of the United States with the private concerns of individuals, would be sure to derange both. It is a union of bank and state, of the very worst kind.

9thly. As the notes of banks would be received in payments for Government bills of exchange, the risque of loss to Government from stoppages of specie payments by the banks, would be increased greatly.

10th. If Government takes upon itself the management of the exchange business of the country, an immense increase of Governmental patronage will be the consequence.

11th. Immense losses will be sustained, through the purchase of bad bills of exchange by the Governmental agents.

12th. Great favoritism will be shown in dealings in real bills of exchange.

13th. Under this system, there will be drawing and redrawing, such as the world never saw before.

As the President states "that he is wedded to no theory, but looks solely to the advancement of the public good," it may be hoped that he will abandon the *paper money* and *exchange* parts of the scheme, as soon as he shall have weighed the various and important objections that can be brought against them.

PHILOSOPHY AND POLITICS.

"I do not propose," says President Tyler, "to enter into a comparative analysis of the merits of the two systems [i. e. of the metallic and paper money systems.] Such belonged more properly to the period of the introduction of the paper system. The speculative philosopher might find inducements to prosecute the inquiry: but his researches could only lead him to conclude, that the paper system had better never have been introduced, and that society could have been much happier without it. The practical statesman has a different task to perform. He has to look at things as they are, to take them as he finds them, to supply deficiencies, and to prune excesses as far as in him lies."

If the "speculative philosopher" and the "practical statesman," both reason correctly, they will arrive at the same conclusion. The speculative philosopher does not disregard *circumstances:* the practical statesman does not disregard *principles.* To both it is a question of great interest, when an evil has reached its height, whether it is best to attempt a *radical* cure, or only administer *palliatives.*

Suppose our measures of length and capacity, were in the same state of confusion as our measures of value? Suppose the bushel and the yard stick, varied from day to day, from month to month, and from year to year, and were never of the same length or the same capacity at any one time in any two parts of the country? Would "the speculative philosopher" and "the practical statesman" then differ in their conclusions?

To supplant paper money by metallic, is, it may be admitted, no easy task, yet it has been done *twice* in France, and *twice* in the United States. It was done in France, when Law's scheme exploded: and again, when the assignat system wore itself out. It was done in the United States, just previous to the Revolutionary war, when the amount of Provincial money was reduced so low as almost to cease to be an evil: and, again, near the close of that war, when the Continental money became worthless.

IMPORTS AND EXPORTS OF GOLD AND SILVER.

	IMPORTS.	EXPORTS.
1821	$ 8,064,890	$ 10,478,059
1822	3,369,846	10,810,180
1823	5,097,896	6,272,987
1824	8,379,835	7,014,552
1825	6,150,765	8,797,055
1826	6,880,966	4,098,678
1827	8,151,130	8,014,880
1828	7,489,741	8,243,476
1829	7,403,612	4,924,020
1830	8,155,964	2,178,773
1831	7,305,945	9,014,931
1832	5,907,504	5,656,340
1833	7,070,368	2,611,701
1834	17,911,632	2,076,758
1835	13,131,447	6,477,775
1836	13,400,881	4,324,336
1837	10,516,414	5,976,249
1838	17,747,116	3,508,046
1839	5,595,176	8,776,743
1840	8,882,813	8,417,014
Total,	$ 176,613,941	$ 127,772,553

From the above table, the particulars given in which have been derived from official sources, it appears that in the last twenty years, our im-

ports of gold and silver have, in the aggregate, amounted to *one hundred and seventy-six million dollars*, or to upwards of eight million and eight hundred thousand dollars in each year.

But, as the gold and silver which comes to us in the natural course of trade, is driven out of the country by paper money, we have in the same period exported gold and silver, amounting in the aggregate to upwards of *one hundred and twenty-seven million dollars*, or between six and seven millions in each year.

With such facts as these before him, what man of common sense, can doubt the practicability of *gradually* supplanting paper money by metallic.

The whole stock on hand of the precious metals, throughout the world, is, according to Jacobs, about *ten thousand million dollars*. To give us a sound circulating medium, we ought to have about ten dollars a head, or, in all, about *one hundred and seventy* million dollars. This is less than the amount we imported between 1821 and 1840.

But, as already stated, through the use made of paper, upwards of one hundred and twenty-seven millions of gold and silver, were exported in the same period. Still the imports exceed the exports, in the sum of nearly forty-nine million dollars.

The amount of gold and silver in the country, must greatly exceed this, as there was a considerable stock on hand previous to 1821, and much brought in by emigrants is not entered on the custom house books. Our own mines also yield considerable amounts, and some silver is brought in over land from Santa Fe. Mr. Hazard, the editor of the Commercial and Statistical Register, an able writer on statistics, from all the data before him in 1839, estimated the amount of gold and silver in the country at upwards of eighty-seven millions.

This is about half the sum required to enable us to dispense entirely with the use of paper *as money*.

Barely by detaining in the country such amounts of gold and silver as come to us in the present course of trade, we should, in ten or twelve years, have a perfectly sound circulating medium.

We could accomplish this object in a much shorter period, if we should, in one year, suppress the use of one dollar notes, in the next twos, in the next threes, in the next fives, and so on. Increase the demand for gold and silver, and the supply will increase accordingly.

THE UNITED STATES BANK.

On the 14th of December, the Grand Jury made the following presentment to the Court of General Sessions of the county of Philadelphia.

To the Honorable Court of General Sessions, the Grand Jury for the County of Philadelphia respectfully submit to the court, on their solemn oaths and affirmations, the following statement of their proceedings:

On the 12th day of November, 1841, a paper containing charges of a criminal nature against certain individuals, and which is hereto annexed, (marked B,) was presented to the Grand Inquest, now inquiring for the city of Philadelphia, by a responsible citizen, who pledges himself to make good his charges and be the prosecutor. An accusation coming in such a shape, the Grand Jury felt it to be an imperative duty to investigate, and accordingly subpœnas were issued for all the persons named as witnesses by the persons making the accusation, and for such others who in the course of the examination were found to be cognizant of any material fact having relation to the charge.

A full and searching inqury has been instituted, and the deliberate opinion of the Grand Jury is, that certain officers connected with the United States Bank have been guilty of a gross violation of the laws, colluding together to defraud those stockholders who had trusted their all to be preserved by them. And that there is good ground to warrant a prosecution of such persons for serious criminal offences; which the Grand Jury do now present to the Court, and ask that the Attorney General be directed to send up, for the action of the Grand Jury, bills of indictment against:

First, Nicholas Biddle, Samuel Jaudon, John Andrews, and others (to the jury unknown,) for entering into a conspiracy to defraud the stockholders of the United States Bank, of the sum or sums of four hundred thousand dollars in the year 1836. And endeavoring to conceal the same by a fraudulent and illegal entry in 1841.

To sustain the above, endorsed Austin Montgomery, (Captain Henry Mallory,) Henry Horn as accusers, Moses Kempton, Edward Cole, James S. Newbold, Joshua Lippincott, Jonathan Patterson, Thomas Taylor and William Drayton as witnesses.

The Grand Jury, on their solemn oaths and affirmations, do further ask that a bill of indictment be sent to them against, second, Nicholas Biddle, Joseph Cowperthwaite, Thomas Dunlap, and others (to the jury unknown,) for entering into a conspiracy to defraud, &c. the stockholders of the Bank of the United States, during the years 1836, 1837, 1838, 1839 and 1840, by which the stockholders have been defrauded out of the sum or sums of money exceeding three hundred thousand dollars.

To sustain this bill endorse the same accusers as in the first case.

As witnesses, Moses Kempton, Edward Coles, James S. Newbold, Joshua Lippincott, Jonathan Patterson, Thomas Taylor, William Drayton, Jo-

seph Cabot, Rodney Fisher, Richard Price, and George Handy.

The Grand Jury, on their solemn oaths and affirmations, do further ask for a bill of indictment against Alexander Lardner, Thomas Dunlap, Richard Price, Lawrence Lewis, and George Handy, and others (to the jury unknown,) for feloniously, &c. conspiring to cheat and defraud the stockholders of the United States Bank of Pennsylvania of the sum or sums of about one hundred and thirty thousand dollars, in the year 1840.

To sustain this charge, the same accusers as on the others, and as witnesses Moses Kempton, Edward Coles, James S. Newbold, Joshua Lippincott, Jonathan Patterson, and Thomas Taylor.

With respect, &c.,

T. B. Town, *Foreman.*

Grand Jury Room, Philadelphia, December 10th, 1841.

[B]

I charge Nicholas Biddle, Joseph Cowperthwaite, Thomas Dunlap, Samuel Jaudon, and John Andrews, with fraud and theft in taking and using for their own benefit, and accommodating their friends, the money belonging to the stockholders of the United States Bank, which they were liberally paid to guard, and not to abuse.

My proof is the report of the investigating committee made to the stockholders in April, 1841.—As to the idea of the above being a breach of trust only, 'tis not so,—'tis too idle and insulting to be pretended or entertained for one moment—away with it then, and forever—these men were servants and paid for their services; so are your family domestics to whom you give in charge your plate, and other valuables. But if they appropriate it or them to themselves, they are unhesitatingly charged with and proceeded against as for theft, and why not N. Biddle among the rest?

Austin Montgomery.

So soon as the clerk had concluded the reading of the presentment, the Attorney General, Ovid F. Johnson, Esq., made a motion that the names of all the persons contained in the document be called. This was accordingly done, but no one answered in person. John M. Read, Esq., made a few remarks relating to the motion in question, which were accompanied by a motion to quash the presentment. Mr. Read represents Mr. Biddle.

H. M. Phillips, Esq., made a similar motion on the part of Mr. Andrews. The matter was then continued.

On Wednesday the argument was continued. Mr. Read, the counsel of Nicholas Biddle, contended that the Grand Jury had no right to inquire into any thing but what had been placed in their charge by the Court, and what they knew of their own knowledge; and consequently they had no right to call witnesses and swear them relative to a matter of which they themselves were in ignorance.

The Attorney General, Mr. Johnson, contended, on the contrary, that if the Grand Jury had received their information from such names as they were willing to vouch for, it was of their own knowledge.

The Court then adjourned.

VIRGINIA.

We were much struck with a remark made by a gentleman some years ago, that the *Bank* of Virginia was the *State* of Virginia. The supreme power has passed from the people of that Commonwealth into the hands of a corporation, and the Legislature and the Governor are little more than instruments for carrying into effect the behests of a board of Directors. "When I was a member of the Senate of Virginia," said Col. ******, and any measure was brought before us, I used to ask 'What does Dr. Brockenbrough (the President of the Bank of Virginia) think of it? It is no matter what Nicholas Biddle thinks of it. He is so far off that we need not regard him. But what are Dr. Brockenbrough's views respecting it.'"

The Bank of Virginia is still, it seems, the State of Virginia; or, what amounts to the same thing, has power to direct the political action of the State. This is evident from the message of Lieutenant Governor Rutherford. He cannot urge a resumption of specie payments at an early day, because the State owes the banks some three hundred and fifty thousand dollars, which it is not convenient just now to pay. Many members of the Legislature will also, as in Pennsylvania, and in other States, find in their own relations with the banks, sufficient reasons why the strict requirements of justice should not be exacted from these institutions.

OHIO.

From the message of Governor Corwin to the Legislature, it appears that the funded debt of the State has been increased in the last year about $1,800,000. Besides this, the debt due for labor done, and an additional debt which must be incurred in order to complete works which have been begun, will make together about $1,350,000.

The amount paid into the Treasury from the canals during the present year, is $484,758 18.

The Governor speaks of the suspension of specie payments by the banks as a great evil: but doubts "if this unhappy state of things admits of any permanent remedy, without important changes in our existing commercial relations with foreign countries." Herein the Governor falls into great error, not seeing that it is altogether owing to excess of paper issues, that there is an excessive importation of foreign goods, and a corresponding export of specie.

The Legislature has important business before it, as the charters of twenty-four out of the thirty-seven banks in the State, expire in January, 1843.

Some of the citizens of Wayne county have presented a petition praying for an examination of the affairs of the German Bank of Wooster. They say, "Up to the time of closing business on Saturday, the fourth of September last, Mr. Bentley, the cashier of said bank, continued to assure its noteholders that it was perfectly safe, that the resources of the bank were amply sufficient to meet all its liabilities; and until the same period, its officers continued issuing its notes and increasing their circulation, particularly along a large portion of the Ohio Canal; in consequence of which almost the entire farming portion of this community

have received it in exchange for their produce—. while on Monday, the sixth of the same month, they closed their doors and declared themselves unable to redeem one dollar of their money."

INDIANA.

This state has undertaken to make 1189 miles of canal and rail-road. On these works it has expended $8,164,528; but to complete them, it must swell the total to $19,914,424. Only 281 miles of canal and rail-road appear to be in a condition to be used.

The present debt of the State, funded and floating, is estimated by the Governor at $15,088,146. This includes a suspended debt of $3,381,000, that being the amount of bonds out of which the State has been outwitted by banks and brokers.

The greater part of the revenue of this State is paid in State Treasury notes, "and," says the Governor, "the amount of these notes still in circulation must prevent us, for several years, from deriving any available means from the collection of taxes, with which to liquidate any part of the interest on the State debt."

The Governor professes to regard suspension of specie payments as a great evil; but seems to think a resumption, unless effected with great caution, would produce still greater evils. "The suspension," he says, "is but ONE of the *many consequences* which have flowed from over banking, over trading, and from wild and reckless speculation."

This is true. Suspension is but *one* of the *many consequences* of banking on improper principles, and for many of the evils consequent on the folly of past years, there is *no* remedy. They must be endured. But so long as the banks continue in a state of suspension, they are laying the foundation of new evils in future years. They ought not, while in this condition, to be allowed "to take advantage of their own wrong." They ought not, till they resume specie payments and prove that they can *sustain* them, be allowed to make dividends, or loans and discounts to officers and stockholders.

THE COTTON CROP.

"It is now," says the Vicksburg Sentinel, "reduced to a certainty that the present cotton crop in all parts of the United States, is a failure. We have taken considerable pains to find out the state of the cotton crop in all parts of this State (Mississippi) and Louisiana, and we are entirely satisfied that it will not reach two-thirds of last year's crop, which was also a very short one, not amounting to two-thirds of that of the previous year. As far as we can hear from Alabama and the Atlantic growing States, the prospects of the crops are not more favorable than with us. * * * * * We firmly believe, from all the data we can collect, that the present crop will not exceed thirteen hundred thousand bales; if, indeed, it will attain that point. With all the lights which the state of the crops, the European markets, and the political and pecuniary condition of consumers both abroad and at home afford, it becomes the interest of our substantial planters to pause before they throw away their property into the hands of ignorant, embarrassed, or dishonest factors to be sacrificed. It is true that the diminished consumption last year, promises to continue during the present, both in Europe and in this country: but still, after making all allowances for this diminution and the surplus on hand at the close of the last commercial year, we are forced to the above conclusion. We may be mistaken in our calculations; but we feel as confident as we did last year, when we estimated within a few bales of the actual result.

This is most important information. Our currency is founded on *cotton*, and not on *specie*. In proportion as the demand for our cotton increases abroad, can our banks expand: in proportion as the demand for it diminishes, they are obliged to contract. Because the cotton crop was not brought forward this year as soon as usual, some of the banks of New York were forced to export specie; and others, it is said, to resort to *kiting*, in order to supply the demand for foreign exchange. As a small crop may, in the aggregate, bring as much abroad as a large one, the deficiency in the present crop *may* not seriously affect our banking operations. But if, owing to an increase of supply from the East Indies, and other countries—or, if owing to any other cause, there should not be a rise abroad in the price of American cotton, very serious consequences may ensue. Our importations have been large: if our cotton crop does not bring a good price, a further drain of specie is inevitable.

BANK FAILURES.

An injunction has been issued against the Winthrop Bank, Roxbury, Massachusetts. The statements given in our last, (taken from the New-York papers) of the failures of the Banks of Whitestown and Watertown, N. Y., appear to have been incorrect.

BANK DEFAULTS.

A deficiency of $74,000 has been discovered in the cash account of the Teller of the Eagle Bank at Boston. The ultimate loss of the bank will, it is said, not much exceed $30,000 dollars.

Green, of Richmond, has been released from confinement, on bail.

ACKNOWLEDGEMENTS.

To a member of the Senate of South Carolina, (to whom we were previously under obligations,) we are indebted for a pretty extensive list of subscribers, embracing many of the most respectable names in the State. Our thanks are also due to gentlemen at Vermilionville, Louisiana; Natchez, Mississippi, (fourth list;) Cincinnati, Ohio, (second list;) Detroit, Michigan, (fourth list;) Pikesville, Maryland, (fourth list;) and other places, for additions to our list of subscribers.

To the Hon. Levi Woodbury, of the U. S. Senate, we are indebted for a copy of the President's message.

PRICES OF BANK NOTES AND SPECIE.

Saturday, December 18*th*, 1841.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	— *a* ½ dis.	5 *a* — pr.
New Hampshire	— *a* ½ dis.	5 *a* — pr.
Vermont	— *a* ½ dis.	5 *a* — pr.
Massachusetts	— *a* ½ dis.	5 *a* — pr.
Rhode Island	— *a* ½ dis.	5 *a* — pr.
Connecticut	⅜ *a* ½ dis.	5 *a* — pr.
New York City	Standard.	5½ *a* — pr.
New York State	— *a* 1 dis.	4¾ *a* — pr.
East Jersey	½ *a* — dis.	— *a* 5 pr.
West Jersey	6½ *a* — dis.	Par *a* 1 dis.
Philadelphia	6½ *a* 7 dis.	Standard.
Pennsylvania, East	6½ & 7 *a*—dis.	Par *a* 1 dis.
" West	6½ & 7 *a*—dis.	Par.
Delaware	6½ *a* — dis.	Par.
Baltimore	4 *a* 5 dis.	1½ pr.
Maryland	5 *a* — dis.	½ pr *a* 3 dis.
District of Columbia	5 *a* — dis.	Par.
Virginia	— *a* 7 dis.	— *a* 2 dis.
" West	— *a* — dis.	8 dis.
North Carolina	— *a* 5 dis.	1½ dis.
South Carolina	3 & 4½ *a*—dis.	2 pr. *a* par.
Georgia	10 *a* — dis.	2 *a* 40 dis.
Alabama	12 *a* — dis.	8 *a* — dis.
Louisiana	10 *a* — dis.	1¾ *a* 2 dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	8 *a* — dis.
Kentucky	9 *a* 10 dis.	7 *a* — dis.
Missouri		7 dis.
Illinois	12 & 15 *a* dis.	— *a* 8 dis.
Indiana	— *a* 15 dis.	— *a* 8 dis.
Ohio	15 *a* — dis.	5 *a* 15 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	5½ *to* 6½ pr.
Sovereigns	4.85 *a* ——	5.05 *a* 5.12
Heavy Guineas	5.00 *a* 5.05	5.25 *a* ——
Spanish Doubloons	16.40 *a* 16.50	16.80 *a* 17.00
Patriot Doubloons	16.00 *a* 16.10	16.40 *a* 16.60
Spanish Dollars	3 *a* 5 pr.	8 *a* 10 pr.
Mexican Dollars	¾ *a* 1 pr.	6 *to* 7 pr.
Five Franc Pieces	94 *a* 94½ cents	98 *a* 1.00
Half Dollars	— *a* — pr.	5½ *to* 6½ pr.
BILLS OF EXCHANGE ON		
London	8¾ *a* 9¼ pr.	14¼ *a* 15½ pr.
France	5.25 *a* ——	4.95 *a* 5.00
Holland	39¾ *a* 40	42 *a* ——
Hamburg	36 *a* —	38 *a* ——
Bremen	77½ *a* 77¾	82 *a* ——
Boston	⅛ *a* ¼ dis.	5⅝ *a* 5⅞ pr.
New York		5 *a* 5⅞ pr.
Philadelphia	6¼ *a* 6½ dis.	
Baltimore	4¼ *a* 4½ dis.	1½ *a* 2 pr.
Richmond	7¼ *a* 7½ dis.	1 *a* — dis.
North Carolina	5 *a* 5½ dis.	
Charleston	1¼ *a* 1½ dis.	3 *a* — pr.
Savannah	3 *a* 3½ dis.	Par.
Augusta	3½ *a* 4 dis.	
Columbus	13 *a* 14 dis.	
Macon	13 *a* 14 dis.	
Mobile	12½ *a* 13 dis.	7 *a* — dis.
New Orleans	7 *a* 7½ dis.	2 *a* — dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	14 *a* 15 dis.	8½ *a* — dis.
St. Louis	8½ *a* 9 dis.	
Louisville	10 *a* 11 dis.	5 *a* — dis.
Cincinnati	13 *a* 14 dis.	8 *a* — dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	7⅛ *a* 11	9½ *a* 11¼
Mobile	7¼ *a* 10½	9¾ *a* 11¼
Upland	7 *a* 9½	9 *a* 11
Flour, Western Canal, per bbl.	6.00 *a* 6.12½	
Philadelphia	—— *a* ——	6.06 *a* 6.25
Rye Flour	3.75 *a* 4.00	4.25 *a* 4.37½
Indian Meal	3.00 *a* 3.25	2.90 *a* 3.50
Grain—Wheat, per bush	1.25 *a* 1.35	1.22 *a* 1.34
Rye	75 *a* 77	70 *a* 80
Corn	62½ *a* 70	50 *a* 62
Oats	43 *a* 46	40 *a* 42
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 35	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4 *a* 4¼	4¾ *a* —
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 9	4 *a* 8½
Wool, American, Merino, per lb.	42 *a* 45	39 *a* 41
Common	20 *a* 24	32 *a* 34
Whiskey, Rye, per gal	20 *a* 22	19½ *a* 21
Provisions, Mess Beef, per bbl.	7.50 *a* 8.25	8.50 *a* 9.00
Mess Pork, per bbl.	9.25 *a* 10.00	8.00 *a* 8.75
Hams, per lb.	— *a* 9	5 *a* 7
Lard, per lb.	6 *a* 8	6½ *a* 8
Cheese, per lb.	6 *a* 7	7½ *a* 8
Rice, per lb.	2¾ *a* 3⅜	3½ *a* 4

THE STOCK MARKET.

Of the various losses which many persons have sustained, some judgment may be formed from a comparison of the prices of various stocks at or near the commencement of the present year, and at the present time.

Pennsylvania 6 per cents., which in February brought 98, are now quoted at 70; and Pennsylvania 5 per cents., which in January brought 92, are now quoted at 60.

Lehigh Coal and Navigation 6 per cent. loan, due in 1845, brought in January 86, in December 50.

Wilmington Rail-Road 6 per cents., due in 1842, have in the same period fallen from 97 to 81: and those due in 1846, have fallen from 92 to 72.

In *bank stocks* the fall has been still more ruinous.

In January, United States Bank stock was held at 64½. On Saturday, December 18th, one share, and one share only, was sold at $4 in currency, and that currency 5 or 6 per cent. below par.

In January, stock of the Bank of Pennsylvania was held at 408. On Saturday, December 18th, 175 was indeed asked for it, but 150 was all that was offered.

In February, stock of the Bank of North America was held at 370; now it is held at 260: though at times more than 200 is not offered for it.

For Philadelphia Bank stock, which was at par or 100 in January, 50 cannot now be obtained without difficulty.

In the same interval, Commercial has fallen from 54 to 35 offered, though 40 is asked. Mechanics' from 35 to 16 or 17. Farmers' and Mechanics' from 55 to 30 or 32. Penn Township from 52 to 32 or 35. And the stock of the Girard Bank (a bank having a nominal capital of five millions dollars), has fallen from 36 to 14 or 15.

In *improvement stocks* the fall has been hardly less ruinous.

Philadelphia, Wilmington and Baltimore Rail Road stock was held in January at 44; now it is at 24 or 25.

Camden and Amboy Rail-Road was then at 104; now it is at 77 or 78.

Schuylkill Navigation stock was sold in January at 78; on the 18th of December at 41.

Lehigh Coal and Navigation stock was held in January at 36½; it is now down to 10.

If stocks continue to fall in value, the question will soon be in respect to holders of this species of property, not who among them is ruined, but who is not ruined?

NEW YORK.

New York State 5 per cents. are at about 80; and the stocks of the New York city banks bear a high price when compared with those of Philadelphia. But in New York, transactions in the stocks of other States are very extensive, and the losses and gains of those who deal in them are correspondingly great. Wall Street is the chief gambling place of the Union.

On Friday, December 17th, Indiana 5 per cents. fell to 20; and Illinois 6 per cents. to 23½.

"Since the fatal month of April, 1837," says the Herald, "we have not seen time-honoured Wall Street in such a state of alarm, fright, and terror, as it now presents to the astonished Christians."

Indiana and Illinois stocks have since risen a few per cent.

NEW ORLEANS.

The Bank of Louisiana has resolved to resume specie payments on *its notes*, whereat the New Orleans Advertiser rejoices greatly.

The Schuylkill Bank, the stock of which brings only five dollars a share, pays specie for its notes: and so do several of the Philadelphia banks. But this is of little moment, so long as they refuse to pay specie for their deposites.

INCIDENTS.

The Chamberlain of the City of Albany has proved a defaulter to the amount of $50,000.

Kirk & Johnson, a mercantile firm in New York, have forged commercial paper to the amount of $50,000, and upwards.

DOMESTIC EXCHANGES.

In January, exchange on New York at Philadelphia was only ¾ per cent. prem. In February, it was only ⅛. In March it rose to 3¾. Compare that with what it now is, as given in our table.

Effects of Speculation.—Gen. David Taylor, of Chattanooga county, Georgia, committed suicide a few days since by opening one of the arteries in his thigh, by which he bled to death in a few minutes. Pecuniary difficulties, produced by unfortunate speculations in Morus Multicaulus, occasioned the melancholy act.—*Franklin* (*Tenn.*) *Review.*

How to Stop a Bank Run.—It is said that when a certain bank in Ireland was hard run for specie, the directors ordered the coin to be heated red hot, and then shovelled it out to the note holders.

CHAPTER XXX.

Probable Effects of the Establishment of a System of Sound Currency and Sound Credit.

THE laws which govern the moral world are just as certain in their nature as those which govern the physical; but it is not always easy to foretell the effects of a political measure, because it is not easy to foresee the precise combination of causes that will be in operation at any future period. David Hume reasoned with perfect correctness from the premises before him, when he predicted that an increase of the national debt beyond a certain amount would make the British Government bankrupt. But he did not foresee the great increase of wealth, and consequent increase of ability in the people to bear public burdens, which has been caused by the use of steam and of productive machinery; and the government has swelled the debt beyond the amount he fixed upon, without becoming bankrupt.

As we have neither a large standing army nor an expensive navy, neither king nor titled nobility to support—neither sinecurists nor pensioners to pay, it would seem rational to believe that, on the destruction of the moneyed corporation system, honest industry in the United States would be secure of its reward. But it is, perhaps, too soon to assert that the ingenuity of those who wish to grow rich by the labor of others will then be exhausted. The banking system destroyed, they may invent some other, equally plausible and equally pernicious.

There has been at least an *apparent* improvement in the moral sentiments of men. About three centuries ago, it was customary to insert in the treaties between Christian Kings, a stipulation that the subjects of one king should not plunder the subjects of another, on the high seas, in time of peace—in other words, it was made matter of express covenant that merchants should not be pirates. At a much later period, many Scottish gentlemen thought it quite as honorable and as honest to levy "black mail" on the estates of their neighbors, as to levy rents on their own estates.

Some intelligent writer seems to be of opinion, that the improvement in moral sentiment is rather apparent than real. There is, they assert, so much less personal risk in certain modern modes of acquiring wealth, that men can lay little claim to merit because they do not carry off their neighbors' cattle by force of arms, or rob ships on the high seas. Lord Byron appears to have been of this way of thinking, for he said that "if the funds failed, *he* meant to take to the highway, as he considered that the only honorable mode of making a living, now left for honest men."

> "For why?
> The good old rule sufficeth still,
> The simple plan—
> That they shall take who have the power,
> And they shall keep who can."

"Many ingenious men," says an American author, "have amused themselves and others, in forming theories respecting the social compact. Some supposed it to originate in one way, some in another. Some supposed it to have been formed for one purpose, some for another. It is supposed by some to have been formed for defence—others suppose it to have been formed for aggression. It is true, that every thing on this subject is mere speculation; and one man has as much right to form theories as another; but it is very clear, that aggression must precede defence, and that before communities could have been formed for defence, there must have been others formed for aggression. Had there been no such thing as attack, men would never have thought of defence. The primary object, therefore, in forming the *social compact*, must have been plunder; and the first article of that compact no doubt was, '*We will plunder our neighbors.*' The second article probably was, '*We will not plunder each other.*'—This article was necessary to enable them to carry the first into effect.

"The first article in the social compact has been faithfully executed, as far as it was practicable. The second article has been and still is evaded, or forcibly violated, by a large portion of every community. How many people do we see in every community, who, instead of supporting themselves by their own industry, contrive to supply themselves with the necessaries and comforts of life, from the industry of others? Some do this by fraud and overreaching—some by direct violence—some by the exercise of their wits in one way, some in another. Some by the permission, or the express provision of the law—others in violation of it. What a host would there be, if all the people in the United States even, who

live by the labor of others, were collected together.

"The history of mankind, in all ages of the world, shows that they will never labor for subsistence, so long as they can obtain it by plunder—that they will never labor for themselves, so long as they can compel others to labor for them."*

This is a gloomy view of things—perhaps a little too gloomy. We trust there has been, in the last three centuries, some *real* improvement in the minds of men. Yet history and experience both show that there is a strong principle of evil which shows itself in different forms in different men, and which changes its appearance in communities with change of circumstances.

As this principle is found in Americans as well as in Europeans and Asiatics, we may rest assured, that, if the money corporation system shall be abolished, attempts will be made, under the plausible pretext of promoting the public good, to have other laws passed, and other institutions established, which will give to some members of the community advantages over the rest. The attempts of this kind will probably be numerous, for even those who apparently pay most regard to the principles of natural justice, think themselves fairly entitled to such advantages as the law gives them, and deem it quite proper to endeavor to advance their private speculations by procuring legislative enactments in their special favor.

All attempts of this kind should be resisted. If they shall be successfully resisted, we may rationally expect—being delivered from the curse of paper-money and of moneyed corporations—a considerable improvement in the following particulars:

1. The demand for most articles of commerce and manufactures will become regular, and the supply will conform itself to the demand, the variations being seldom so sudden or so great as to prevent men of good common sense from managing their business successfully. At present, men find it difficult to make the operation of the natural causes that affect supply and demand the basis of an estimate, in engaging in any enterprise, because these causes are confounded with others growing out of the present system of business.

2. Bankruptcies will be as rare as they were before the Revolution, and losses by bad debts will be inconsiderable. More or less uncertainty will always attend foreign commerce. Events which happen abroad may, from time to time, have an injurious effect on bodies of merchants engaged in a trade with particular countries; but, as is correctly observed by Mr. Gallatin, the effects of commercial revulsions in a country having a metallic currency, are generally confined to dealers, extending but indirectly and feebly to the community, and never affecting the currency, the standard of value, or the contracts between persons not concerned in the failures.

3. The value of that which forms the principal item of wealth in every country, the land and its improvements, is affected slowly by natural causes. It seldom rises or falls, except in particular situations, more than one or two per cent. in the course of a year.—Such variations would not be great enough to prevent the majority of men from forming correct estimates of the value of real estate: and as there would, with the increase of wealth and population, be a continuous rise in the value of land, sellers would be quite secure in receiving one-fourth of the purchase money and a mortgage for the remainder; and buyers would run little risk of losing, from a fall in the price of property. The special causes which would affect the value of lands in particular localities, might be estimated with some degree of exactness.

4. The prices of land and commodities being left to the regulation of natural causes, it would, in most instances, be easy to form a judgment of the probable result of different undertakings. The risk, in the great majority of enterprises, would not be greater than that of the farmer when he ploughs and sows his fields. It would be easy to tell what businesses are adapted to the state of the country, and to different parts of the country. The development of the natural sources of wealth would proceed in natural order, and men would grow rich, not by impoverishing others, but by the operation of the same causes that enrich nations.

5. Credit would be diffused through the community, and each man would get that share to which he would be justly entitled. The thrifty young mechanic, and the industrious farmer, though not possessed of real estate, would be able to borrow on bond, for such periods as might be necessary to bring their little undertakings to a successful issue.

6. Every increase of capital increasing the fund out of which wages would be paid,

*Raymond. Elements of Political Economy. Baltimore, 1823.

would increase the reward of the laborer.—Through the new distribution of capital which would be produced by a just apportionment of credit, the number of the competitors of the working-man would be diminished, and the number of his employers increased. He would thus reap a double advantage, from the increase of competition on the one side, and its decrease on the other.

7. The present order of things, by rendering the condition of some members of society almost hopeless, takes away from them almost every inducement to industry and economy. They labor only from the stimulus of necessity; and if in particular seasons, they obtain more than is necessary for immediate subsistence, they expend it in procuring some sensual gratification. But open to these men a fair prospect of acquiring a little property and of being secure in its possession, and many who are now indolent will become industrious, and many who are extravagant will become economical. Give them an object worth working and saving for, and but few, even of those who are least gifted with natural prudence, will become a burden to their friends, or to tne public.

8. The moral character of a great part of the nation has been stamped so deeply by causes which have been in operation for half a century, or for nearly a century and a half, if we count from the first issue of paper-money by Massachusetts, that many years, perhaps, will elapse, before it can be essentially changed. But one of the first effects of abolishing the money corporation system, will be that of raising the standard of commercial honesty in a perceptible degree, and the standard of political honor will, in a few years, be sensibly elevated.

9. In a state of things in which industry would be sure of its reward, few persons would be destitute of the pecuniary means for obtaining instruction. The intellectual powers of the great body of the people would then be fully developed, and this could not fail to promote the correct management of public and private affairs.

10. The causes of evil are as numerous as the varieties of evil. The banking system must be regarded as the *principal* cause of social evil in the United States; but it is by no means the *only* one. There are other positive institutions in our land which are very pernicious. Remove the banking system, and the extent in which most other evil institutions operate, will become evident.—The application of the proper remedies will then be an easy task.

In the best social system that can be imagined, that is, in one in which there should be no laws or institutions of any kind except such as are absolutely necessary, and in which the few laws and institutions which are really necessary should be perfectly just in principle and equal in operation, there would necessarily be an inequality in the condition of men. It would proceed in part from differences in mental and bodily strength, in skill, in industry, in economy, in prudence, and in enterprise. In part, it would proceed from causes beyond human control. But this would be a *natural* inequality, and it would not be an evil. The sight of one man enjoying the reward of his good conduct, would induce others to imitate his example.

We have evidence in the condition of Switzerland and Holland, of what patient industry can accomplish. One of these countries is mountainous and rugged; the other is a marsh, a great portion of which has been reclaimed from the sea. Yet they are, in proportion to the number of square miles they contain, among the richest countries in the world.

In Switzerland there are, or were till lately, many absurd restrictions on the liberty of the people. The national debt of Holland is very great, and the taxes are consequently heavy. Switzerland is an inland country, and has intercourse with distant nations, only through the permission of the neighboring kingdoms. It owes its independence to the sufferance of its powerful neighbors. Holland is frequently devastated by hostile armies. It is not free from commercial monopolies. In both Holland and Switzerland there is an inequality of political rights quite incompatible with our American ideas of natural justice. Yet, under all these disadvantages, natural and political, Holland and Switzerland have arrived at a degree of improvement which excites the admiration of every candid observer.

Now, if the Union of the States can be preserved, to what may we not rise, under our free political institutions, with the immense extent of our natural resources, with all our advantages for foreign and domestic trade, and exempted as we are by our situation from a participation in the wars of Europe. It would really appear that, if we could only get rid of a few laws and institutions which give advantages to some men

over others, we might arrive at a state of improvement which would surpass that of any country of which mention is made in history. We have more means of happiness within our reach than any other people. If we turn them not to a good account, the fault will be our own, and we must patiently bear the consequences.

CHAPTER XXXI.

Summary.

To place the subject fairly before the reader, we shall bring together the principal propositions that have been supported in this essay, and leave the decision to his candid judgment.

We have maintained:

1. That real money is that valuable by reference to which the value of other articles is estimated, and by the instrumentality of which they are circulated. It is a *commodity* done up in a particular form to serve a particular use, and does not differ *essentially* from other items of wealth.

2. That silver, owing to its different physical properties, the universal and incessant demand for it, and the small proportion the annual supply bears to the stock on hand, is as good a practical standard of value as can reasonably be desired. It has no variations except such as *necessarily* arise from the nature of value.

3. That real money diffuses itself through different countries, and through different parts of a country, in proportion to the demands of commerce. No prohibitions can prevent its departing from countries where wealth and trade are declining; and no obstacle, except spurious money, can prevent its flowing into countries where wealth and trade are increasing.

4. That money is the tool of all trades, and is, as such, one of the most useful of productive instruments, and one of the most valuable of labor-saving machines.

5. That bills of exchange and promissory notes are a *mere commercial medium*, and are, as *auxiliaries* of gold and silver money, very useful; but they differ from metallic money in having no inherent value, and in being evidences of debt. The expressions of value in bills of exchange and promissory notes, are according to the article which law or custom has made the standard; and the failure to pay bills of exchange and promissory notes, does not affect the value of the currency, or the standard by which all contracts are regulated.

6. That bank notes are *mere evidences of debt* due by the banks, and in this respect differ not from the promissory notes of the merchants: but being received in full of all demands, they become to all intents and purposes the money of the country.

7. That banks owe their credit to their charters; for if these were taken away, not even their own stockholders would trust them.

8. That the circulating quality of bank notes is in part owing to their being receivable in payment of dues to government; in part to the interest which the debtors to banks and bank stockholders have in keeping them in circulation; and in part to the difficulty, when the system is firmly established, of obtaining metallic money.

9. That so long as specie payments are maintained, there is a limit on bank issues, but this is not sufficient to prevent successive "expansions" and "contractions," which produce ruinous fluctuations of prices; while the means by which bank medium is kept "convertible," inflict great evils on the community.

10. That no restrictions which can be imposed on banks, and no discretion on the part of the directors, can prevent these fluctuations; for bank credit, as a branch of commercial credit, is affected by all the causes, natural and political, that affect trade, or that affect the confidence man has in man.

11. That the "flexibility" or "elasticity" of bank medium is not an excellence, but a defect; and that "expansions" and "contractions" are not made to suit the wants of the community, but from a simple regard to the profits and safety of the banks.

12. That the uncertainty of trade produced by these successive "expansions" and "contractions," is but *one* of the evils of the present system. That the banks cause credit dealings to be carried to an extent that is highly pernicious—that they cause credit to be given to men who are not entitled to it, and deprive others of credit to whom it would be useful.

13. That the granting of exclusive privileges to companies, or the exempting of companies from liabilities to which individuals are subject, is repugnant to the fundamental

principles of American government; and that the banks, inasmuch as they have exclusive privileges and exemptions, and have the entire control of credit and currency, are the most pernicious of money corporations.

14. That a *nominal* responsibility may be imposed on such corporations, but that it is impossible to impose on them an effective responsibility. They respect the laws and public opinion so far only as is necessary to promote their own interest.

15. That on the supposition most favorable to the friends of the banking system, the whole amount gained by the substitution of bank medium for gold and silver coin, is equal only to about forty cents per annum for each individual in the country; but that it will be found that nothing is in reality gained *by the nation*, if due allowance be made for the expense of supporting three or four hundred banks, and for the fact that bank medium is a machine which performs its work badly.

16. That some hundreds of thousands of dollars are annually extracted from the people of Pennsylvania, and some millions from the people of the United States, for the support of the banks; insomuch as through banking the natural order of things is reversed, and interest paid to the banks on evidences of debt due by them, instead of interest being paid to those who part with commodities in exchange for bank notes.

17. That into the formation of the bank capital of the country, very little substantial wealth has ever entered, that capital having been formed principally out of the promissory notes of the original subscribers, or by other means which the operations of the banks themselves have facilitated. They who have bought the script of the banks at second-hand, may have honestly paid cent. per cent. for it; but what they have paid has gone to those from whom they bought the script, and does not form any part of the capital of the banks.

18. That if it was the wish of the Legislature to promote usurious dealings, it could not well devise more efficient means than incorporated paper-money banks. That these banks, moreover, give rise to many kinds of stock-jobbing, by which the simple-minded are injured and the crafty benefitted.

19. That many legislators have, in voting for banks, supposed that they were promoting the welfare of their constituents; but the prevalence of false views in legislative bodies in respect to money corporations and paper-money, is to be attributed chiefly to the desire certain members have to make money for themselves, or to afford their political partisans and personal friends opportunities for speculation.

20. That the banking interest has a pernicious influence on the periodical press, on public elections, and on the general course of legislation. This interest is so powerful, that the establishment of a system of sound currency and sound credit is impracticable, except one or other of the political parties into which the nation is divided, makes such an object its primary principle of action.

21. That through the various advantages which the system of incorporated paper-money banking has given to some men over others, the foundation has been laid of an *artificial* inequality of wealth, which kind of inequality is, when once laid, increased by all the subsequent operations of society.

22. That this artificial inequality of wealth adds nothing to the substantial happiness of the rich, and detracts much from the happiness of the rest of the community. That its tendency is to corrupt one portion of society, and debase another.

23. That the sudden dissolution of the banking system, without suitable preparation, would put an end to the collection of debts, destroy private credit, break up many productive establishments, throw much of the property of the industrious into the hands of speculators, and deprive laboring people of employment.

24. That the system can be got rid of without difficulty, by prohibiting, after a certain day, the issue of small notes, and by proceeding gradually to those of the highest denomination.

25. That the feasibility of getting rid of the system, is further proved by the fact, that the whole amount of bank notes and bank credits is, according to Mr. Gallatin's calculation, only about one hundred and nine million dollars. By paying ten or eleven millions a year, the whole can be liquidated in the term of ten years. If, however, twenty or thirty years should be required for the operation, the longest of these is but a short period in the lifetime of a nation.

26. That it has not been solely through the undervaluation of gold at the mint, that eagles and half-eagles have disappeared. The free use of bank notes is the chief cause of the disappearance of gold. Nevertheless, a new coinage of pieces containing four and eight,

or five and ten dollars' worth of gold is desirable, to save the trouble of calculating fractions. The dollar being the money of contract and account, no possible confusion or injustice can be produced by an adjustment of the gold coinage to the silver standard.*

27. That incorporating a paper-money bank is not the "necessary and proper," or "natural and appropriate" way of managing the fiscal concerns of the union; but that the necessary and proper," or "natural and appropriate" way, is by sub-treasury offices.

28. That incorporating a paper-money bank is not the "necessary and proper," or "natural and appropriate" way of correcting the evils occasioned by the State Banks, inasmuch as a National Bank, resting on the same principles as the State Banks, must produce similar evils.

29. That "convertible" paper prevents the accumulation of such a stock of the precious metals as will enable the country to bear transitions from peace to war, and insure the punctual payment of war taxes; and that the "necessary and proper," or "natural and appropriate" way of providing for all public exigencies, is by making the government *a solid money government*, as was intended by the framers of the constitution.

30. That if Congress should, from excessive caution, or some less commendable motive, decline passing the acts necessary to insure the gradual withdrawal of bank notes, they may greatly diminish the evils of the system, by declaring that nothing but gold and silver shall be received in payment of duties, and by making the operations of the government entirely distinct from those of the banks.

31. That on the abolition of incorporated paper-money banks, private bankers will rise up, who will receive money on deposit, and allow interest on the same, discount promissory notes, and buy and sell bills of exchange. Operating on sufficient funds, and being responsible for their engagements in the whole amount of their estates, these private bankers will not by sudden and great "expansions" and "curtailments" derange the whole train of mercantile operations. In each large city, an office of deposit and transfer, similar to the Bank of Hamburgh, will be established, and we shall thus secure all the good of the present banking system, and avoid all its evils.

32. That if the present system of banking and paper-money shall continue, the wealth and population of the country will increase from natural causes, till they shall be equal for each square mile to the wealth and population of Europe. But, with every year, the state of society in the United States will more nearly approximate to the state of society in Great Britain. Crime and pauperism will increase. A few men will be inordinately rich, some comfortable, and a multitude in poverty. This condition of things will naturally lead to the adoption of that policy which proceeds on the principle that a legal remedy is to be found for each social evil, and nothing left for the operations of nature. This kind of legislation will increase the evils it is intended to cure.

33. That there is reason to *hope*, that on the downfall of moneyed corporations, and the substitution of gold and silver for bank medium, sound credit will take the place of unsound, and legitimate enterprise the place of wild speculation. That the moral and intellectual character of the people will be sensibly though gradually raised, and the causes laid open of a variety of evils under which society is now suffering. That the sources of legislation will, to a certain extent, be purified, by taking from members of legislative bodies inducements to pass laws for the special benefit of themselves, their personal friends and political partisans. That the operation of the natural and just causes of wealth and poverty, will no longer be inverted, but that each cause will operate in its natural and just order, and produce its natural and just effect—wealth becoming the reward of industry, frugality, skill, prudence, and enterprise; and poverty the punishment of few except the indolent and prodigal.

* See note at the end of Chapter XXV.

A SHORT HISTORY

OF

PAPER MONEY AND BANKING IN THE UNITED STATES.

CHAPTER I.

Of the Medium of Trade before the Introduction of Paper-Money.

THE first settlers of a country may be much in want of capital, but they do not need a great sum of money as a medium of domestic trade. A few exchanges of products for gold and silver coin, will regulate barter transactions with sufficient accuracy for general dealings. A great portion of the stock of money which the original emigrants brought with them, was therefore soon exchanged for the comforts and conveniences which Europe could supply, and trade by barter became the custom of the country.

If the Government had not interfered, all would have been well. But, as early as 1618, as is stated by Holmes, in his American Annals, Governor Argall, of Virginia, ordered "that all goods should be sold at an advance of 25 per cent., and tobacco taken in payment at three shillings per pound, and not more or less, on the penalty of three years servitude to the colony."*

In 1631, as we learn from the same authority, the General Court of Massachusetts "made orders about payment of debts, setting corn at the usual price, and making it payable for all debts which should arise after a time prefixed." In 1633, the same General Court ordered "that wampompeag should pass current in the payment of debts to the amount of forty shillings, the white at eight a penny, the black at four a penny, except for county rates."

Wampompeag being an article of traffic with the Indians, had a value in dômestic trade; but an attempt to fix its value by law was an absurdity, and making it a legal tender was something worse than an absurdity. The measure was, however, in perfect accordance with the orders given by the General Court in 1633, declaring, "that artificers, such as carpenters and masons, should not receive more than two shillings a day, and proportionably, and that merchants should not advance more than four pence in the shilling above what their goods cost in England."

In Pennsylvania, as well as in the other colonies, a considerable traffic was carried on by barter. In the year 1700, or about that time, a proposition was brought before the General Assembly, to make domestic products a legal tender, at their current rates.—The proposition was rejected. But Holmes states that, in Maryland, as late as the year 1732, an act was passed "making tobacco a legal tender at one penny a pound, and Indian corn at twenty pence a bushel."

The colonists had hardly become numerous enough to require more than two or three

* Burk, in the appendix to the first volume of the History of Virginia, mentions some facts which elucidate the statement of Holmes.

"I find," he says, "in the proclamations of the Virginia Governors and Councils, the rates of some commodities and something like a scale of exchange between specie and tobacco. During the administration of Captain Argall, tobacco was fixed at three shillings the pound. 1623, Canary, Malaga, Alicant, Tent, Muskadel, and Bastard wines, were rated at six shillings in specie, and nine shillings the gallon, payable in tobacco. Sherry, Sack, and Aquavitæ, at four shillings, or four shillings six-pence tobacco. Wine vinegar at three shillings, or four shillings and six-pence tobacco. Cider and beer vinegar at two shillings, or three shillings in tobacco. Loaf sugar one shilling and eight pence per pound, or two shillings and six-pence in tobacco; butter and cheese eight pence per pound, or one shilling in tobacco. Newfoundland fish per cwt. fifteen shillings, or one pound four shillings in tobacco. Canada fish, two pounds, or three pounds ten shillings in tobacco. English meal sold at ten shillings the bushel, and Indian corn at eight. After a careful inspection of the old records, I cannot find any rates of labor specified, although they too are mentioned, as forming a part of the subject of proclamations."

Holmes, in his Annals, supplies one deficiency in Burk's price current, namely, the price of a passage from Europe.

"The enterprising colonists being generally destitute of families, Sir Edward Sandys, the treasurer, proposed to the Virginia company to send over a freight of young women to become wives for the planters. The proposal was applauded; and ninety girls, 'young and uncorrupt,' were sent over in the ships that arrived this year, (1620); and the year following, sixty more, handsome and well recommended to the company for their virtuous education and demeanor. The price of a wife, at the first, was *one hundred pounds of tobacco:* but as the number became scarce, the price was increased to *one hundred and fifty pounds*, the value of which, in money, was three shillings per pound. This debt for wives, it was ordered, should have the precedency of all other debts, and be first recoverable."

The Rev. Mr. Weems, a Virginia writer, intimates that it would have done a man's heart good, to see the gallant, young Virginians, hastening to the water side, when a ship arrived from London, each carrying a bundle of the best tobacco under his arm, and each taking back with him a beautiful and virtuous young wife.

hundred thousand dollars of medium for domestic uses, before specie began to flow in abundantly. Their trade with the West Indies and a clandestine commerce with the Spanish Maine, made silver so plentiful, that, as early as 1652, (thirty years before the foundation of Philadelphia,) a mint was established in New-England for coining shillings, sixpences and three-penny pieces.*— In 1662, a mint was established in Maryland.†

Gabriel Thomas, in his account of Pennsylvania, published about the year 1698, says that silver was more plentiful in that province than in England.

Plentiful, however, as it was, there was not enough to satisfy the wishes of every body. Attempts were, therefore, made to keep the precious metals in the country, by raising the official value of the coin. Virginia, in 1645, prohibited dealings by barter, and established the Spanish piece of eight at six shillings, as the standard currency of that colony. The other colonies affixed various denominations to the dollar, and the country exhibited a singular spectacle. Its money of account was the same nominally as that of England. Its coin was chiefly Spanish and Portuguese. But what was a shilling in Pennsylvania, was more than a shilling in New-York, and less than a shilling in Virginia.

In the third year of Queen Anne, an attempt was made to put an end to this confusion, by a Royal Proclamation, and an act of Parliament, fixing the plantation pound at two ounces sixteen pennyweights sixteen grains of silver, of the fineness of common pieces of eight, at six shillings and ten pence halfpenny per ounce; but from various causes, the act proved effective in Barbadoes only. In South Carolina, the dollar was estimated at 4s. 8d., in Virginia and New England at 6s., in Pennsylvania, New-Jersey, and Maryland at 7s. 6d., and North Carolina at 8s.

These are to be understood as the rates at which the currencies of the different colonies were finally settled. They were varied from time to time to suit the varying views of the lawgivers.‡ Confusion in dealing was thereby introduced, and some injustice was done to individuals: but the chief object of these changes, namely, that of keeping a great stock of the precious metals in the country, was not effected. In proportion as the denominations of the coin were raised, the merchants raised the price of their goods. The laws of nature counteracted the laws of the land.— The people exchanged their surplus gold and silver for such things as they wanted still more than gold and silver—leaving just as much money in the country as its domestic trade required, and not one shilling more.

CHAPTER II.

Of Provincial Paper-Money.

PAPER-MONEY was first issued by Massachusetts in 1690. The object was not to supply any supposed want of a medium for trade, but to satisfy the demands of some clamorous soldiers. Other issues were subsequently made, partly with the view of defraying the expenses of government, and partly with a view of making money plenty in every man's pocket. But as the quantity increased, the value diminished, as will be seen by inspecting the following table.§

	Exch. with London.	*1 oz. Silver.*		*Exc. with London.*	*1 oz. Silver.*
1702	133	6s. 10½d.	1728	340	18s.
1706	135	7	1730	380	20
1713	150	8	1737	500	26
1716	175	9 3	1741	550	28
1717	225	12	1749	1100	60
1722	270	14			

The ill-judged expedition of the Carolinians against St. Augustine, in 1702, entailed a debt of six thousand pounds on that colony, for the discharge of which a bill was passed by the provincial assembly for stamping bills of credit, which were to be sunk in three years by a duty laid upon liquors, skins, and furs. For five or six years after the emission, the paper passed in the country at the same value and rate as the sterling money of England.‖

* "The law enacted that 'Massachusetts and a tree in the centre, be on the one side: and New England, and the year of our Lord, and the figure XII, VI, III, according to the value of each piece, be on the other side"—Massachusetts Laws. "The several coins had N. E. on one side, and the number denoting the number of *pence*, with the year 1652 on the other. The date was never altered, though more coin was stamped annually for thirty years."—*Holmes.*

† In 1662, the Assembly of Maryland besought the proprietary to "take orders for sitting up a mint," and a law was passed for that purpose. "The great hindrance to the colony in trade, for the want of money," is assigned as the reason for the measure. It was enacted, that the money coined shall be as good silver as English sterling: that every shilling, and so in proportion for other pieces, shall weigh above nine pence in such silver; and that the proprietary shall accept of it in payment of his rents and other debts. This coin being afterwards circulated, the present law of Maryland was confirmed in 1676. This is the only law for coining money, which occurs in colonial history, previous to the American Revolution, excepting the ordinance of Massachusetts in 1652."—*Chalmers*, I., 248.

‡ Dr. Franklin, in his historical account of Pennsylvania, says, "during this weak practice silver got up by degrees to eight shillings and nine pence per ounce, and English crowns were six, seven, and eight shillings a-piece."

§ Holmes, Vol. II, p. 58. ‖ Ib., Vol. II, p. 82.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, January 5, 1842. No. 14.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

COMMERCIAL BANKING.

IN some of our previous numbers, we endeavored to show the difference between banking on commercial principles, and banking on the principles commonly adopted in this country. We now commence the history of a bank which was conducted on commercial principles for twenty-five years; during which time it made but one bad debt, and that of only fifty dollars. It then changed its mode of operation, and in five years became bankrupt.

As the writer is an old and experienced banker, we hope his remarks will receive the attention which they merit, from gentlemen who have the management of banking institutions.

To *paper-money* banks, even when conducted on the principles laid down in this article, there are, as we shall endeavor to show, in future numbers, very strong objections. But we firmly believe, that if our banks generally were conducted on those principles, the system would be shorn of half its evils. Banks so conducted, whatever other evils they would inflict on the community, *would never stop specie payments.*

HISTORY OF THE BANK OF ———.

To the Editor of the Journal of Banking.

SIR:—In a conversation held with you at Washington some time since, I endeavored to enforce and illustrate my views of the sound and legitimate principles of banking, by narrating the operations of a banking institution with which I had, for a long period, been in some measure connected. I now proceed, in compliance with your request, to furnish you with a brief history of the bank to which I then referred. The narrative, mainly from memory, will be found substantially accurate.

The bank was chartered in October, 1806. Its charter contained the ordinary provisions found in bank charters; its capital was $200,000, divided into 1,000 shares of $200 each: the first board of nine directors was chosen on 3d of February, 1807. On the same day, out of this number, a gentleman, who held a large and controlling interest as a stockholder, and gave a direction to its affairs for a quarter of a century afterwards, was chosen *President*, without compensation. The cashier was elected on the 24th of March following, at an annual salary of $700, with the use, free of rent, of the dwelling part of the banking house. The bank was opened for business, pursuant to public notice, on the 21st of May, 1807; and a rule established *on that very day*, of the following import:

No paper offered at this bank for discount will be accepted, having more than sixty days to run to maturity.

Every note or bill discounted MUST BE PAID AT MATURITY.

No renewal or new discount will be made in substitution for, or in aid of the payment of an existing indebtedness.

There was no set form of by-laws enacted.— This simple, searching, and effective rule stood alone, the solitary but inflexible rule for the administration of its affairs. In the outset, some of its debtors, regarding "a bank" rather in the light of a benevolent, than of a money making institution, and as possessing recognized special claims on public and legislative favor, and *therefore* bound to *accommodate* the public, (a heresy, alike fatal to the country and to banks,) denounced the rule as most arbitrary and "unaccommodating," and, in a few cases, a resort to legal proceedings was found necessary to coerce its observance. The rule however *was* enforced, and its requirements obeyed.

There was no other bank in the county, and being established in a populous town, the centre of trade for a large and productive district, its operations were, in the highest degree, salutary and gratifying. It induced, and indeed *compelled*, its dealers to carry out the same conservative principle in all their private transactions. Each individual conducted his business not on *borrowed bank credit*, but on *his own capital*, and thus

brought the amount of his transactions *within his own means;* short credits and quick returns were characteristic of the transactions of the neighborhood.

The bank, you will understand, instituted no impertinent inquisition into the origin or object of the paper offered for discount. Parties being satisfactory, it was invariably "done." Experience had taught the directors, that the rule requiring *absolute payment at the end of sixty days*, would, in its operation, *necessarily* confine their discounts to *real business paper*—representing actual transfers of property out of the hands of the payee into those of the payer; the payer received, in consideration of his note, the property purchased; which he practically held *in trust* for the security of the holder of his note.

I have said that this rule confined discounts to paper representing values—the commodities of the country, and limited the transactions of its customers to their own capital; for no prudent man, having adequate credit to obtain a discount, and requiring *actual capital*, would venture to embark in an enterprise on *borrowed bank credit*, which he knew would be withdrawn and *must be returned*, at the end of sixty days. The bank, in short, only *cashed sales*. To the men of business, enlightened by the events of the past few years, who were, during the period of which I am speaking, among the customers of this bank, it will *now* be apparent that the steadiness and sobriety which was infused into all the transactions of the neighborhood, was owing, in some degree at least, to the influence of this, at that time, very popular moneyed institution. The gains of the people, which were then the fruit of honest and patient industry, and well considered economy, were not, it is true, sudden and spasmodic, but sure and steady.

It was ascertained, soon after the bank was fairly in operation, that its *ability to discount, had no sort of connection with, or dependance on, the amount of its capital*. A currency fully equal to the demands of trade was sustained, and *more* could not have been sustained whether the capital was one thousand or one million of dollars. Its circulating notes were issued only in exchange for business paper representing commodities *in transitu*, and were, as I have already observed, practically *secured by a lien on those commodities*.

Once in every sixty days, the whole debt due to the bank was cancelled by payment. One sixtieth part being thus paid in, restored to the bank daily, either its own bills or bills of other banks. As every new discount carried out *only* the credit of this bank—not that of other institutions, for prompt and actual payment was required of *their* bills—it is obvious that its circulation supplanted that of other banks dealing in renewals or "accommodation paper;" because *their* paper, as fresh discounts were comparatively few, seldom went into circulation. To compensate for the less circulation, the cause not being understood, agents were furnished with bills of those banks, by their directors, with orders to exchange them with merchants and trades people; and even travellers were annoyed by numerous applications—without effecting their object for any length of time, as they were soon returned from whence they issued.

There was no attempt made by the bank to regulate trade or exchanges; but it was itself regulated by them. The bank was the servant of trade, not its master. The circulation of the bank vibrated widely. At certain seasons, when the products of the country were coming forward to market, it expanded largely; at others, it shrunk within very narrow limits, as the records of the bank will show.

I have said that the ability to discount was not influenced by the amount of its capital. The possession of capital was of no use except to inspire confidence. This being once fully established, (and its manner of conducting business contributed to this far more than its capital,) the latter was found a great inconvenience—a source of real annoyance, because its investment involved a responsibility which it was thought could be discharged with equal safety and greater advantage by the stockholders, in their individual capacities, to whom it belonged, and through whom it would find its way into the hands of the *producing classes*. It was therefore determined to restore it to them, retaining only so much as was deemed adequate to the security of those holding the engagements of the Bank. Accordingly, in pursuance of a vote taken at a meeting of stockholders on the 3d of July, 1816, and with the consent of the Legislature previously obtained for that purpose, one-half of the capital stock ($100,000) was paid back to the stockholders in gold and silver or its equivalent, leaving $100,000 of the same article or its equivalent, in possession of the bank. One half of the *capital* of the bank was thus distributed among the stockholders, in aid of the productive industry of the country, which required actual capital for long and fixed periods, and not bank credit; while the latter continued to be employed as a facility to the trading community in transferring commodities.

This disposition of its capital was alike beneficial to the country and the bank; to the country, because it augmented the national wealth by increasing the products of labor—to the bank, because it called for an enlarged but legitimate issue of its currency (the only real source of *profit* which a bank possesses over other modes of investing capital) to transfer this increased amount to market.

The bank continued its operations, adhering to the rule governing its discounts, but was still suffering from the annoyance of unemployed capital; and while on the one hand, it was considered an act of justice to its creditors that it should retain in its possession, for their security, the remaining half of its original capital: it was, on the other hand, due to the stockholders, that it should be kept securely invested in some shape. To employ it in discounting commercial paper, experience had shown, was not sagacious; as the bank's credit, which *cost nothing*, already supplied all the demands of trade; and adding its *capital* would either compel it to retire an equal amount of that credit; or else, by inflating the currency, expand prices, promote extravagance and speculation, and thus endanger the solvency of its customers, whose

engagements the bank held. Accordingly, to protect itself, by *protecting its customers*, and in order to avoid the trouble and risque of temporary investments, the bank lent on bond and mortgage $25,000 of its remaining capital, at six per cent. interest, in pursuance of the following resolution, which will be found on its minutes:

"September 28, 1821. Whereas the demands for money are not sufficient at the present time to employ, *in the legitimate objects of banking*, all the funds of this institution, therefore

"*Resolved*, That ******, Esq., be authorized to loan, on mortgage, at a rate which shall produce to this institution an interest of six per cent. per annum, a sum, not exceeding twenty-five thousand dollars; and on such real security as he shall deem to be perfectly ample—the loans to be for a period not exceeding five years."

This investment being made, recourse was had to temporary loans on fixed securities, which were soon abandoned, and a further sum, nearly equal to the residue of its capital was subsequently *permanently lent* on the security of bonds and mortgages. The bank meanwhile continued its regular business from year to year, the proceeds of bills discounted supplying it with means more than sufficient to redeem its own issues.

[To be continued.]

Communicated.

VISITATION OF CORPORATIONS.

Allow me to call attention to the law of corporations, as respects their *visitation*. It is part of the common law of England, and as such prevails here. Common sense and common law unite in prescribing control to them. Every thing human, from the Supreme Government down, is liable to deviate from the end of its establishment. And hence, with great propriety, the law says, all corporations are subject to visitation, and to be called to account and punished as they deserve. Have all our honorable governors known this? It is done in England by the king through his court; and by analogy should be done here by the governor through the supreme court.

I confess I view with some pleasure, the attention of grand juries, in various places, called to the state of society. Not of course from the least personal unkindness to the individuals inculpated, or with any disposition to pronounce judgment against them, (for I am totally unacquainted with the facts,) but from the sound and salutary principles involved in the step. A grand jury is one of the most dignified bodies known to our institutions. It is the hand-maid of Liberty. Constituted as it is, and limited as is its power, (confined to accusation) it has every claim to regard. Let Grand Juries throughout the country wake up to a sense of their duties.

THE TARIFF QUESTION.

This is beginning to create new excitement. Let the currency question be properly settled, and the tariff question will give us no trouble.

So long as our present paper-money system lasts, no *protective* tariff can be effective; because, just in proportion as the duties are raised on imports, will the banks increase their issues: and just in that proportion will imports increase, and exports diminish.

Give us hard money, and no protective tariff will be necessary.

HOARDED SPECIE.

The Bank of Ireland has not paid out any guineas, since the year 1820, yet it has in the last twenty years remitted to the Bank of England, guineas of the value of £612,000, or upwards of three million dollars. These guineas have been received by the bank in Dublin, and its branches in various parts of Ireland, on deposit, or in payment of debts; and most of them bear the mark of having been *hoarded*.

So much specie is hoarded in Pennsylvania, that it is thought by many that, if the use of bank notes should be discontinued to-morrow, the prices of most articles would soon rise to nearly their present rates, merely through the gold and silver coins which would then be brought out of their hiding places.

STATE PAPER MONEY.

The last eight pages of this number are occupied with the history of the paper money issued in this country previous to the revolutionary war. The incidents therein contained, at all times interesting, are particularly so at this moment, when some of the States have recommenced the issue of governmental paper money, and when others may be expected to follow their example.

In Pennsylvania, respect enough has been paid to the *letter* of the constitution of the United States, to employ the banks as go-betweens, and to *call* the bills they issue as agents of the State, by the name of a *loan*. Such an evasion of the constitution is, however, likely to produce as much evil as would be produced by an open violation of that instrument. Since the issue of these state bills of credit began, the whole mass of our paper currency has undergone a depreciation of several per cent.: and that the depreciation has not been greater, has been solely owing to the inability to force into circulation as large an amount of these State bills of credit as the authors of the measure originally contemplated.

In Indiana, State treasury notes have been issued, to the amount of about one million five hundred thousand dollars. These profess to bear interest: but as many of them are for as small amounts as five dollars, the interest on each of these for short periods is hardly appreciable. Treasury notes for large amounts, and bearing interest, do not often, when issued by a government in good credit, become *currency*. They are hoarded by capitalists as profitable investments. But treasury notes of such small denominations as are issued in Indiana, are just as effective as the old fashioned bills of credit, in driving gold and silver out of circulation.

In one respect, this modern State paper-money differs from the old. It is not, *as yet*, a legal tender in payment of private debts. We say—*as yet*. How long it will be before laws will be passed to compel creditors to receive this, or to

receive nothing, we shall not undertake to predict. This State paper-money, and the bills of suspended banks are now the only *practical* tender in Pennsylvania. It requires but one step more to make them a *legal* tender. Certain provisions in the United States' constitution, do, indeed, stand in the way of this: but such provisions are apt to be but little regarded, when the *moral* constitution of a whole people is perverted.

FALL OF PRICES.

The editor of the Charleston (S. C.) Patriot thinks that "a decline in the price of commodities, equivalent to a fall in them generally of *twenty-five per cent.*, will occur in the next two years. This is a discouraging prospect; but until a decline of prices takes place, that will stimulate exportation and check importation, we will not have reached a sound condition of monetary affairs."

This is a pleasant prospect, truly. A fall of prices of 25 per cent.! And for what? That we may get rid of *the cause* of violent fluctuations of prices? No: but simply that the banks may start fair in commencing a *new series* of expansions and contractions.

THE FISCAL BANK.

If we should insert at length the bill lately reported by the Secretary of the Treasury, it would fill several pages of this Journal, and then the probability is, that though all our readers would *look* at it, not one in ten would *read* it. We must, therefore, resort to some other mode of giving them, or endeavoring to give them, a clear idea of the character of the proposed Fiscal Bank, and this will perhaps be most readily done by showing wherein it agrees with, and wherein it differs from, the late Bank of the United States.

The Fiscal Bank is to be founded *entirely* on the credit and resources of Government. The United States Bank was founded partly on the credit and resources of Government: and partly on the means furnished by private individuals.

The Fiscal Bank is to be governed by a Board of Directors, improperly called a Board of Exchequer, whose seat of power is to be at Washington. The United States Bank was governed by a Board of Directors, whose seat of power was at Philadelphia.

Part of the Directors of the United States Bank were appointed by the President with the advice of the Senate, and part were chosen by the stockholders. *All* the Directors of the Fiscal Bank, are to be appointed by the President with the advice of the Senate, the Secretary of the Treasury and the Treasurer of the United States, being *ex-officio* members of the Board.

The United States Bank had between twenty and thirty branches. The Directors of the Fiscal Bank are to be authorized to establish two branches or agencies, in each State, and as many more as Congress may direct.

The Board of Directors of the United States Bank at Philadelphia appointed the directors and officers of the branches. The Directors of the Fiscal Bank at Washington are, in point of fact, to do the same, as it is to be made the duty of the Secretary of the Treasury to appoint the officers of the agencies on *the recommendation* of the so called Board of Exchequer.

The Board of Directors of the U. States Bank at Philadelphia, fixed the compensation of the officers of the branches, and prescribed bye-laws for their regulation. In like manner are the compensations of the officers of the agencies, and the bye-laws for their government, to be fixed by the Directors of the Fiscal Bank at Washington.

The Bank of the United States was the general agent of the Government of the United States for receiving, safe keeping, disbursing and transmitting the public money, for paying pensions, for receiving subscriptions to public loans, paying interest on the same, &c. &c. The Fiscal Bank is to perform all these functions.

The United States Bank and its branches, issued notes of various denominations, from five dollars to one thousand, which were redeemable only at the place of issue, though receivable every where in payment of dues to Government. The Fiscal Bank is to issue notes of like denominations, in like manner receivable, and in like manner redeemable.

Payments were made by the United States Bank either in its own notes, or gold and silver coin, at the option of the public creditor, and sometimes in the notes of other specie paying banks. In like manner are payments to public creditors to be made by the Fiscal Bank and its agencies.

The Fiscal Bank and its agencies are to receive on deposit, gold and silver coin, in an amount not exceeding fifteen millions, and grant certificates of the same, which are to be redeemable only at the place of deposit. On all such deposits, a premium not exceeding ½ per cent. is to be paid. The United States Bank had this power, but did not choose to exercise it.

The United States Bank had unlimited power to grant local discounts, and to deal in domestic exchanges, selling at the highest price it could get, and buying at the lowest. The powers of the Fiscal Bank are, in this respect, to be restricted. It is to have no power to grant local discounts. Any of its agencies may sell drafts on any other of its agencies, but the premium is not to exceed the cost of transporting specie from place to place, and in no instance to amount to more than two per cent. It is also to *buy* bills of exchange, (if not payable in the same State, or within —— miles of the place where drawn) provided, if on places not more than five hundred miles distant, the bills of exchange are not for longer time than *thirty days* from *date*, and if on places more than five hundred miles distant, they are not at longer time than *thirty days* from *sight*. No more than 6 per cent. per annum interest, and the necessary cost of transporting specie, never exceeding two per cent., is to be paid by the Fiscal Bank or its agencies in purchasing any bills of exchange.

No Fiscal Agency is to deal in bills of exchange, or receive private deposits in any State where such practices may be prohibited by the laws of

the State. Herein the powers of the Fiscal Bank are more circumscribed than were those of the United States Bank.

Weekly settlements are to be made with banks in its neighborhood, by the Fiscal Bank and each of its agencies. Such settlements used to be made by the United States Bank and its branches.

All dues to the United States may be paid in gold and silver coin, notes of the Fiscal Bank and its agencies, or in notes of specie paying banks, immediately convertible into specie at the place where received. Similar to this was the practice under the Bank of the United States.

The United States Bank was not required to keep on hand any certain amount of specie. It is to be made the duty of the Fiscal Bank and each of its agencies, so to limit its issues that the amount of gold and silver on hand, shall, at all times, be equal to one-third the amount of such issues outstanding. In practice, this will be found impossible.

The United States Bank had power to issue notes to an unlimited amount, but for many years its circulation was little more than four millions, and in five of its most prosperous years, it amounted to only sixteen millions. The Fiscal Bank is to have power to issue notes to the amount of fifteen millions. But this is only to begin with. Congress may increase this amount *ad libitum.*

United States Government stock formed part of the resources of the United States Bank. The same kind of stock is to form part of the resources of the Fiscal Bank. Power is to be given to the Bank at Washington to issue certificates of stock to an amount not exceeding five millions, at a rate not exceeding five per cent. This is to begin with. At least five millions more would have to be issued in each year to sustain the bank in its operations.

Part of the profits of the United States Bank went to the United States Government, and part to private stockholders. All the profits of the Fiscal Bank, after paying the expenses of the institution, and reserving two million as a contingent fund, are to go to the U. States Government.

The Fiscal Bank is to keep in separate books the accounts of Government, and the accounts of private individuals. So did the United States Bank.

None of the officers of the Fiscal Bank or its agencies, are to have any dealings with it on their private account. Herein they are to be deprived of a power which many of the officers of the United States Bank exercised greatly to their own advantage.

Full and exact accounts of the proceedings of the Fiscal Bank and its agencies are to be kept, and an abstract of the same is to be presented to Congress at the commencement of each session. So did the United States Bank.

Defaults on the part of officers of the United States Bank, were, in most cases, treated as mere breaches of trust. Defaults on the part of officers of the Fiscal Bank are to be punished with fine and imprisonment.

In places where it is not deemed expedient to establish agencies, the Fiscal Bank is to have power to appoint State banks to act as its agents. The United States Bank had the same power and exercised it.

Suits were brought by the United States Bank in its own name. Suits are to be brought by the Fiscal Bank in the name of the United States.

The United States Bank was a corporation: and the Fiscal Bank is to be *a corporation*, but a corporation of a peculiar character. The Secretary of the Treasury and the Treasurer of the United States are to be *ex-officio* members of the Board at Washington, and they can, at any time, be dismissed from office by the President, either with or without cause. But the three Commissioners, who will form the majority of the Board, are to have certain *vested rights.* Their regular term of office is to be for six years, subject to such arrangements as will cause one vacancy to occur in the board at the end of every two years. But they are not to be removed from office, except "for physical inability, incompetency, or neglect, or violation of duty." As the *burden of proof*, if he should wish to remove them, would rest on the President, these gentlemen, if once snug in their offices, might consider themselves secure therein, however they might conduct themselves.

So also the officers of the agencies are to have their *vested rights*, but they are to last not for six years only, but *for life.* They are not to be removed, "except for physical inability, or incompetency, or neglect, or violation of duty," and then the burden of proof is to rest on the Secretary of the Treasury. In Pennsylvania, our justices of the peace used to hold their offices nominally "during good behaviour." But this was found in practice to be *for life*, and "during" even "the worst behaviour."

This corporation can, however, be at any time dissolved, the President, the House and the Senate concurring therein: and herein it differs from the United States Bank, as that had a charter which some maintain should be regarded in the light of a contract.

There are two grand objections to this scheme of a Fiscal Bank, or Exchequer, as it is called.

The first is, that it is UNCONSTITUTIONAL.

The object of the framers of the constitution was that ours should be a *hard money* government. This Fiscal Bank scheme will, if carried into effect, convert the government into a paper-money government; and this in face of the fact, that the Federal Convention, when such a proposition was made to it, expressly refused to give the United States Government the power to issue paper-money.

The scheme is, moreover, unconstitutional, inasmuch as it takes the money of the United States out of the treasury, and puts it under the control of a board of brokers, to be by them employed in fostering private speculations: an application of the public funds which, we will venture to say, never once entered into the conception of the framers of the constitution.

The second grand objection to the scheme is, that it is at utter variance with the best established principles of political economy. The true object of government is simply to protect men in the enjoyment of their rights. Let this object be once attained, and individuals will do for themselves that which so many are looking in vain for government to do for them.

As a general rule, it may be laid down, that while corporations conduct their affairs much worse than individuals, governments conduct their affairs much worse than corporations. If paper-money banking, therefore, when carried on by corporations, has produced great evil, much greater evil will it produce, if carried on by Government.

For other, and more specific objections to the scheme, we refer to the remarks in our last number on the President's Message. Also, to the observations in No. 9, (pages 131, 132) soon after the scheme was first shadowed forth in the columns of THE MADISONIAN. Also, to the remarks in No. 2, (pages 21 and 22) on Mr. Ewing's and Mr. Clay's fiscal bills. As a National Bank does not cease to be a National Bank, because private individuals are not allowed to be stockholders, many of the objections brought against Mr. Clay's and Mr. Ewing's schemes, are equally applicable to the present, though this is brought forward under different auspices.

In connection with this subject, some passages in the two vetoes of President Tyler may be read with advantage. The first will be found in No. 5, of this Journal, page 66. The second in No. 6, page 89. A bank is a *bank of discount*, whether it deals in bills of exchange only, or bills of exchange and local paper also. *Such* bills of exchange as would be presented to our Fiscal Bank, would, in all probability, be far more objectionable than most of the accommodation notes that are discounted by our State banks.

THE UNITED STATES REVENUE.

The receipts into the Treasury, during the year 1841, according to returns for the first three quarters, and estimates for the fourth quarter, were $30,410,167 77. But as of this amount $13,264,-354 58 consisted of *borrowed* money, the proper revenue for the year was little more than seventeen millions. Of this sum, the customs yielded $14,847,557 44: the lands $1,454,063 06: old bank debts and miscellaneous, $844,183 46.

According to the same estimates and returns, the expenditures in the different branches of the public service, civil, military and naval, amounted, in the year 1841, to $26,396,994 98. From which it seems that the revenue proper falls short of the expenditure in an amount exceeding nine million dollars.

As a redemption took place, during the year, of treasury notes and other evidences of public debt, the nett increase of the national debt was less than eight millions. But this left nothing in the Treasury at the end of the year.

It is contemplated that the receipts during the year 1842, will amount to nineteen millions from the customs, and one hundred and fifty thousand dollars from miscellaneous sources. This will be the whole of the proper revenue of government, if the proceeds of the public lands are distributed among the States. If the expenditures for the civil, military, and naval service, amount to only as much as they did last year, there must be another nett addition of seven millions and a half to the national debt. If the customs do not amount to more than they did in 1841, or, if the recommendations of some of the heads of department be acted on, the addition to the national debt will not fall short of fourteen millions.

So we go. Bank credit is exhausted and State credit is exhausted. All that now remains to be done, is to exhaust United States credit.

THE UNITED STATES BANK.

The presentment made by the Grand Jury, involving accusations against Nicholas Biddle, and others, has, as was expected, been *quashed* by the Court. It is alleged that the parties should have had a hearing by a committing magistrate before their case was brought before the Grand Jury.

The matter will not drop here. It is a maxim of law that "there is no wrong without a remedy." Charters have heretofore been supposed to afford ample protection to bank officers whatever wrongs they might commit. But corporate abuses have of late been so frequent, that public indignation is aroused: and our lawyers are now exerting their ingenuity to discover remedies for the wrongs which bank creditors and stockholders have suffered through the misconduct of bank officers.

In the present case, the Grand Jury, in another presentment, under date of Dec. 30th, after defending the course they had taken, proceed to make the following remarks.

"This transaction has no parallel in the history of our country, and a failure of such magnitude was never before known in the world: it has injured the credit of our City and State abroad, and dishonored their proud name. If the profligate abuse of investments is to be considered in society as a mere breach of trust, and the squandering of the funds of our public charities, left by benevolent persons for the general good, cannot be protected by the arm of the law—if the aged are to be deprived of their support, accumulated by years of industry,—the widow to be impoverished and the orphan to be left destitute—the sooner the community is convinced of it the better.

"The excitement of the public mind, in consequence of these repeated abuses, and the doubtful management of other institutions, call for prompt

and decisive action by our courts of justice to bring these persons, if guilty, to punishment."

Several of the politicians who were in debt to the United States Bank, have, it is said, made settlements: in *what manner* is not stated.

Mr. John M. Riddle, one of the persons sued by the Bank, has made an affidavit, in which he declares that "he never endorsed either of the instruments, on which this suit is brought, and that no other person or persons by his authority, or with his knowledge and consent, endorsed the same for him; and he had no knowledge of the existence of said notes, or any of them, till he received notice of their protest."

The notes are three in number, and for sums amounting in all to $100,717; two of them purporting to be drawn by Cheyney Hickman, and one by C. Hickman & Co.

This Mr. Hickman was a Government Director of the Bank; and one who, after the charter granted to it by the United States had expired, was retained in his position of Director through the influence of Mr. Biddle. Some time since he found it convenient to migrate to South America.

It is believed that many more of the notes in the possession of the Bank, will, on examination, be found to be forgeries.

Suits have been brought by the holders of the United States Bank post notes, against Mr. Samuel Mason and Mr. George W. Fairman, to whose order the said notes are payable, and by whom they have been endorsed. They were clerks in the bank, and they have put in affidavits stating that these endorsements were mere clerical acts, and not designed to create any contracts between them and any other persons, and that it was so understood by the community generally. —The cases will be brought before a jury.

The annual meeting of the stockholders was held Jan. 3d. The meeting was rather boisterous. The "regular" ticket for directors, succeeded in opposition to the "Biddle" ticket; and a resolution was passed to set aside the last two assignments made by the Bank. This resolution is subject to the action of another meeting to be held in February next.

VIRGINIA.

Soon after the Legislature assembled, Mr. Scott of Fauquier, brought forward a resolution to relieve the banks from the liability to pay 12 per cent. on all notes dishonored by them after the first of January, 1842. At first the House, by a majority of five votes, rejected Mr. Scott's resolution. But, the result shows that time only was wanting for bank influence to have its usual effect. In a few days afterwards, an act was passed exactly according to Mr. Scott's liking. It extends the privileges the banks enjoy under the suspension act, till the 1st of April next; and before that time arrives, another act granting a further extension, probably will be passed.

INDIANA.

The Legislature of Indiana has passed a *stop law*, and has under consideration, a *relief law*, or law to prevent property being sold for less than a certain portion of its appraised value.

INCIDENTS.

The Rochester (N. Y.) Democrat mentions the failure of a firm in that city for $150,000. The failures in that section have within a few weeks amounted, it is said, to upwards of $500,000. They are easily acccounted for. When news arrived of a probable failure of the crops in England, the banks in Rochester advanced large sums in their *notes* to the millers. This raised the price of grain, and consequently of flour so high, that it could not be exported at a profit. Flour has since fallen. Many of the millers are ruined, and it will be well if they do not carry some of the Rochester banks down with them.

A large flour house at Baltimore has stopped payment. Debts estimated at $45,000. Property at $150,000.

At Buffalo there are said to have been several failures.

The house of McAllister & Stebbins, large stockbrokers at New-York, has failed. They loaned the Fund Commissioners of Illinois $333,000, on a pledge of $834,000, 6 per cent. stock of that State. The stock was then held in the market at 55, and it was pledged to McA. & S. at 40. In the mean time, the stock has fallen to less than 20; and McA. & S., who had obtained the means of lending to the State by borrowing from others, are ruined. Mr. Stebbins, in declaring to the New-York board of brokers his inability to comply with his engagements, stated that the Fund Commissioners had used their utmost exertions, and been unable to raise $5,000 on the faith of the State of Illinois.

The Lehigh Coal & Navigation Company, not having been able to borrow enough money on mortgage to repair the damage done to their canal by the freshet in January last, have solicited the loan holders to forego the receipt of their interest for the year 1842.

BANK DEFAULTS.

The cashier of the Penn Township Bank, Philadelphia County, has suddenly resigned his situation. His reasons for the course are clouded with mystery: but the stock of the bank has since fallen many per cent.

THE FOREIGN NEWS.

Great distress prevails in England, and "bread or blood" is said to be the awful inscription of some of the banners displayed in the provincial towns.

Many failures have taken place on the Continent. At Moscow it is said two hundred and fifty, and at Petersburg, nearly as many. Russia, our readers will recollect, is a *paper money* country. One silver ruble is there worth as much as 3½ paper rubles.

ACKNOWLEDGEMENTS.

Our thanks are due to gentlemen at Boston, Mass., (fourth list;) Orangeburg, S. C., (fifth list;) and other places, for additions to our list of subscribers: and to the Hon. Geo. W. Hopkins, of the House of Representatives, for a copy of the Secretary of the Treasury's report.

PRICES OF BANK NOTES AND SPECIE.

Saturday, January 1st, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	— *a* ⅛ dis.	5 *a* — pr.
New Hampshire	— *a* ⅛ dis.	5 *a* — pr.
Vermont	— *a* ⅛ dis.	5 *a* — pr.
Massachusetts	— *a* ⅛ dis.	5 *a* — pr.
Rhode Island	— *a* ½ dis.	5 *a* — pr.
Connecticut	⅜ *a* ½ dis.	5 *a* — pr.
New York City	Standard.	6 *a* — pr.
New York State	— *a* 1 dis.	4 *a* 6 pr.
East Jersey	— *a* ½ dis.	— *a* 5½ pr.
West Jersey	— *a* 6 dis.	Par *a* 1 dis.
Philadelphia	— *a* 6 dis.	Standard.
Pennsylvania, East	— *a* 6 dis.	Par *a* 1½ dis.
" West	— *a* 6 dis.	Par.
Delaware	— *a* 6 dis.	Par.
Baltimore	4 *a* 5 dis.	1 pr.
Maryland	— *a* 5 dis.	Par *a* 3 dis.
District of Columbia	— *a* 5 dis.	Par.
Virginia	— *a* 7 dis.	½ *a* 2 dis.
" West	— *a* — dis.	8 dis.
North Carolina	— *a* 5 dis.	1½ dis.
South Carolina	— *a* 3 & 4½ dis.	2 pr. *a* 2 dis.
Georgia	— *a* 10 dis.	2 *a* 40 dis.
Alabama	— *a* 12 dis.	8 *a* — dis.
Louisiana	— *a* 10 dis.	5 *a* — dis.
Mississippi	— *a* — dis.	20 *a* 80 dis.
Tennessee	— *a* — dis.	12 *a* 15 dis.
Kentucky	9 *a* 10 dis.	7 *a* — dis.
Missouri		7 dis.
Illinois	12 & 15 *a* dis.	— *a* 8 dis.
Indiana	— *a* 15 dis.	— *a* 10 dis.
Ohio	— *a* 15 dis.	5 *a* 15 dis.
Michigan	— *a* — dis.	10 *a* 18 dis.
American Gold, (new coinage).	Par *a* — p.	5½ *to* 6½ pr.
Sovereigns	4.85 *a* ——	5.05 *a* 5.12
Heavy Guineas	5.00 *a* 5.05	5.25 *a* ——
Spanish Doubloons	16.25 *a* 16.50	16.80 *a* 17.00
Patriot Doubloons	15.80 *a* 16.00	16.40 *a* 16.60
Spanish Dollars	3 *a* 5 pr.	8 *a* 10 pr.
Mexican Dollars	¼ *a* ¾ pr.	6 *to* 7 pr.
Five Franc Pieces	93½ *a* 94 cents	98 *a* 1.00
Half Dollars	Par.	5½ *to* 6½ pr.
BILLS OF EXCHANGE ON		
London	8¾ *a* 9 pr.	14¼ *a* 15½ pr.
France	5.30 *a* 5.27½	5.00 *a* ——
Holland	39½ *a* 39¾	42 *a* ——
Hamburg	35¾ *a* 35⅞	38 *a* ——
Bremen	77 *a* 77¼	82 *a* ——
Boston	Par.	6 *a* 6¾ pr.
New York		6 *a* 6¾ pr.
Philadelphia	6¼ *a* 6½ dis.	
Baltimore	3¾ *a* 4 dis.	1¼ *a* 1½ pr.
Richmond	6½ *a* 6¾ dis.	1 *a* — dis.
North Carolina	5 *a* 5½ dis.	
Charleston	1¼ *a* 1½ dis.	3 *a* — pr.
Savannah	3 *a* 3½ dis.	Par.
Augusta	4 *a* 4½ dis.	
Columbus	13 *a* 14 dis.	
Macon	13 *a* 14 dis.	
Mobile	14½ *a* 15 dis.	11 *a* — dis.
New Orleans	8¼ *a* 8½ dis.	5 *a* — dis.
Natchez	25 *a* 30 dis.	25 *a* — dis.
Nashville	14 *a* 15 dis.	8½ *a* — dis.
St. Louis	13 *a* 14 dis.	
Louisville	11 *a* 12 dis.	6 *a* — dis.
Cincinnati	13 *a* 14 dis.	9 *a* — dis.
Michigan	9 *a* 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	7½ *a* 11	9½ *a* 11¼
Mobile	7¼ *a* 10½	9¾ *a* 11¼
Upland	7 *a* 9½	9 *a* 11
Flour, Western Canal, per bbl.	5.87½ *a* 6.12½	
Philadelphia	—— *a* ——	6.12½ *a* 6.25
Rye Flour	3.75 *a* 4.00	4.25 *a* 4.37½
Indian Meal	3.00 *a* 3.12½	2.87½ *a* ——
Grain—Wheat, per bush	1.20 *a* ——	1.25 *a* 1.30
Rye	75 *a* ——	75 *a* 80
Corn	62½ *a* 68	49 *a* 57
Oats	40 *a* 50	41 *a* 42
Iron, Amer., Pig, No. 1, per ton	30.00 *a* 35	— *a* 32.00
Bar rolled	85.00 *a* 87.50	75.00 *a* 82.50
Lead, Pig, per lb.	4 *a* 4⅜	4¾ *a* —
Tobacco, Richmond, per lb.	4 *a* 8	5 *a* 10
North Carolina	4 *a* 6	
Kentucky	5 *a* 9	4 *a* 8½
Wool, American, Merino, per lb.	34 *a* 36	39 *a* 41
Common	18 *a* 22	32 *a* 34
Whiskey, Rye, per gal	18½ *a* 21	19½ *a* 21
Provisions, Mess Beef, per bbl.	7.50 *a* 8.25	8.50 *a* 9.00
Mess Pork, per bbl.	9.00 *a* 10.25	8.00 *a* 8.25
Hams, per lb.	— *a* 9	5 *a* 7
Lard, per lb	5½ *a* 8	6½ *a* 8
Cheese, per lb.	6½ *a* 7½	7½ *a* 8
Rice, per lb.	2¾ *a* 3¼	3½ *a* 4

THE STOCK MARKET.

Arkansas stock has been sold at New York as low as 13 for 100 paid. Illinois six per cents. have been sold for less than 17; and Indiana five per cents. equally low.

Throughout the States there appears to be a disposition openly to repudiate all those State bonds which have been fraudulently negotiated; and the effect of this is to cast discredit on the state securities generally. Till the necessary investigations shall have been made, it is impossible to tell the extent of the frauds that have been committed by fund commissioners, in collusion with banks and brokers.

Nor is this all. A meeting has been held in this city, in which resolutions have been passed, declaring that, inasmuch as the Constitution of Pennsylvania gives the Legislature no power to incur debts, the people are under no obligation to pay them. How far this feeling may extend we know not; but a *formal* repudiation of the debts of some of the States would seem, under present circumstances, to be little more than an idle ceremony.

We not long since met with the remark in a European paper, that *when capitalists cease to lend, governments cease to pay interest.* This is true even as regards England. If the capitalists of Great Britain should cease for a single year, nay even for six months, to make loans on exchequer bills, the government of Great Britain would be as unable as the states of Indiana and Illinois to pay interest on its funded debt. As long as foreign and domestic capitalists were willing to advance to the states such sums annually as exceeded the interest on the state debts, the interest was paid punctually. They now refuse to make any further advances, and the ability of the states to pay interest ceases accordingly.

The interest due on the Maryland debt on the 1st of January *was not paid.* That due by Pennsylvania on the 1st of February may be paid in part, or in full; but it is the opinion of many of our most intelligent citizens, that the payment of the interest due in August, 1842, and February, 1843, *will be postponed.*

The following table shows the decline which has taken place in the price of various securities, at New York and Philadelphia, in the short space of one year.

NEW YORK.	*Jan.* 1, 1841	*Jan.* 1, 1842.
Illinois sixes	76	20½ *a* 21
Indiana sterling bonds	75 *a* 80	20 *a* 20½
Virginia sixes	90	no price.
Maryland sterling bonds	87	no price.
Vicksburg Rail Road	10½	1½ *a* 2½
Haerlem Rail Road	38	10¾ *a* 10
Stonington Rail Road	28½	15 *a* 15½
CITY BANKS.		
Manhattan Bank	96	59 *a* 60
Merchants Bank	111	109
Mechanic's Bank	103	67 *a* 69
Bank of America	110	91
La Fayette Bank	94	54 asked.
FREE BANKS.		
Bank of Commerce	102	82 *a* 83¼
North Amer. Trust and Bank. Co.	29¾	1 *a* 2¼
Mechanic's Banking Association	84¼	48 *a* 50
American Exchange Bank	93½	59

PHILADELPHIA.	*Prices* 1841.	1842.	*Capital.*	*Loss within the year.*
U. States Bank	65	4	$35,000,000	$21,350,000
North America	400	160	1,000,000	600,000
Pennsylvania	412	150	2,500,000	1,637,500
Philadelphia	100	46	2,000,000	1,080,000
Farmers and Mechanics	55	29	1,250,000	725,000
Commercial	54	35	1,000,000	380,000
Northern Liberties	42	25	500,000	170,000
Mechanics'	35	17	1,400,000	720,000
Southwark	54	48	250,000	30,000
Kensington	45	30	250,000	75,000
Penn Township	52	30	250,000	120,000
Girard	36	12	5,000,000	2,400,000
Western	39	26	500,000	130,000
Manufacturers & Mech.	45	21	600,000	288,000
Moyamensing	44	32	250,000	60,000
Schuylkill Navigation	79	40		
Do. Loans, 6s	100	80		$29,765,000
Lehigh Navigation	39	10		
Do. Loans, 5s	85	40		
Camden & Am. R. R.	105	75		
Do. Loans	93	77		
Phil. & Trenton R. R.	100	50 bid.		
Phil. Wil. & Balt. R.R.	44	21		
Loans, 1842,	93	78		
Loans, 1844,	92	62 bid.		
Philadelphia Gas Co.	112	104 bid.		
County Fives	93	80		
County Sixes	104	100		
Pennsylvania Fives	93½	60		

☞ The History of Provincial Paper Money, which was begun in our last number, is continued on the next page.

To defray the expenses of an expedition against the Tuscaroras, and to accommodate domestic trade, the Legislature of South Carolina established a public bank in 1712, and issued forty-eight thousand pounds in bills of credit, called bank bills, to be lent out on interest on landed and personal security, and to be sunk gradually at the rate of four thousand pounds a year. Soon after the emission of these bank bills, the rate of exchange and the price of produce rose, advancing in the first year, to one hundred and fifty, and in the second to two hundred per cent.* By the year 1731, the rate of exchange rose to seven hundred, at which, says Holmes, "it continued with little variation for upwards of forty years."

In the year 1723, "the province of Pennsylvania made its first experiment of a paper currency. It issued, in March, fifteen thousand pounds, on such terms as appeared likely to be effectual to keep up the credit of the bills. It made no loans, but on land security, or plate deposited in the loan office: obliged the borrowers to pay five per cent. for the sums they took up; made its bills a tender in all payments, on pain of confiscating the debt, or forfeiting the commodity; imposed sufficient penalties on all persons, who presumed to make any bargain or sale on cheaper terms in case of being paid in gold or silver; and provided for the gradual reduction of the bills, by enacting that one-eighth of the principal, as well as the whole interest, should be annually paid."†

Governor Pownall, in his work on the administration of the colonies, bestows high praise on the paper system of Pennsylvania. "I will venture to say," he declares, "that there never was a wiser or a better measure, never one better calculated to serve the interests of an increasing country; that there never was a measure more steadily pursued or more faithfully executed, for forty years together, than the loan office in Pennsylvania, founded and administered by the assembly of that province." Dr. Franklin also bestowed high commendation on the system. And Adam Smith, apparently guided by Governor Pownall and Dr. Franklin, says, "Pennsylvania was always more moderate in its emission of paper-money than any of our other colonies. Its paper currency accordingly is *said* never to have sunk below the value of the gold and silver which was current in the colony before the first emission of its paper-money."

All things go by comparison. The credit bills of Pennsylvania were so much better than those of the other governments, that there was a demand for them throughout the country as bills of exchange: but it is not a fact that they never sunk below the value of the gold and silver which was current in the colony before the first emission of its paper. The following table, taken from an official document to be found in Proud's History of Pennsylvania, shows that the paper was never at a less discount than eleven per cent., if gold be taken as the standard—or seven per cent., if silver be the standard.

	Gold.			*Silver.*	
1700 to1709	£5	10*s.*	0*d.*	9*s.*	2*d.*
1709 to 1720	5	10	0	6	10½
1720 to 1723	5	10	0	7	5
1723 to 1726	6	6	6	8	3
1726 to 1730	6	3	9	8	1
1730 to 1738	6	9	3	8	9

We have no account of the bullion market in provincial Pennsylvania, subsequent to the year 1738, but this table shows that those who represented to Adam Smith that the paper of the colony suffered no depreciation, were misled by making neither gold nor silver the standard, but by making the paper the standard of itself. As the Pennsylvania pound current never changed its name, they thought it never changed its value.‡

The following table shows the rate of exchange of the currencies of the different colonies, for £100 sterling, at two different periods.§

* Holmes, Vol. II, p. 82.

† Ib., Vol. II, p. 110.

‡ It is curious to observe the similarity of the reasoning of the supporters of this paper-money with that of the anti-bullionists of a subsequent period. A merchant of Boston, writing to his friend in England, in 1740, uses the following language:

"Upon the continuance of a favorable turn in the trading circumstances of the province of New-England, the government might stop at any rate which silver should fall to, and make that rate the fixed silver pound, and make it a lawful tender; and common consent or acceptance of the people would complete the scheme of silver money. And thus the pound sterling is fixed in England at three ounces seventeen pennyweights and two grains of silver, of a certain fineness, or silver at five shillings and two pence per ounce.

"But if that kingdom were under our unhappy circumstances, as not having a sufficiency in value in silver and all other exports to discharge the whole demand of their imports: it would then be next to a miracle if silver did not rise to above five shillings and two pence per ounce in the market, in proportion to the balance of debt against them; and their trading circumstances continue to decline, as ours have; their silver would be brought to twenty-seven shillings per ounce, as ours is, and the current money of Great Britain be at the rate of twenty shillings per ounce, whatever the lawful money might be."—*Anderson*, vol. III, p. 498.

Here we have the doctrine clearly stated that when paper is at a discount, it is not paper that has fallen, but silver that has risen; and the English anti-bullionists are thus deprived of all claim to originality in error. All the arguments they used during the suspension of specie payments, were mere plagiarisms from the Boston merchant.

§ The items in the first column are from Anderson: those in the second from Dr. Douglass.

	1740	1748
New England,	525	1,100
New-York,	160	190
New-Jersey,	160	180 and 190
Pennsylvania,	170	180
Maryland,	200	200
North Carolina,	1,400	1,000
South Carolina,	800	750
Virginia,		120 and 125

The government of Virginia appears not to have issued any paper-money previous to the revolutionary war.

In respect to the paper-money of the colonies generally, we may say, in the language of Adam Smith, "allowing the colony security to be perfectly good, a hundred pounds payable fifteen years hence, in a country where interest is at six per cent., is worth little more than forty pounds ready money. To oblige a creditor, therefore, to accept of this as a full payment of a debt of a hundred pounds actually paid down in ready money, was an act of such violent injustice as has scarce, perhaps, been attempted by the government of any other country which pretended to be free. It bears the evident marks of having originally been, what the honest and downright Dr. Douglass assures us it was, a scheme of fraudulent debtors to cheat their creditors. The government of Pennsylvania, indeed, pretended, upon their first emission of paper-money, to render their paper of equal value with gold and silver, by enacting penalties against all those who made any difference in the price of their goods when they sold them for colony paper, and when they sold them for gold and silver; a regulation equally tyrannical, but much less effectual than that which it was meant to support. A positive law may render a shilling a legal tender for a guinea, because it may direct the courts of justice to discharge the debtor who has made that tender. But no positive law can oblige a person who sells goods, and who is at liberty to sell or not to sell as he pleases, to accept of a shilling as equivalent to a guinea in the price of them.

Dr. Hugh Williamson, the historian of North Carolina, is not less emphatic than Adam Smith, in denouncing the system.

"Of all the varieties of fraud," he says, "which have been practised by men who call themselves honest, and wish to preserve a decent appearance, none have been more frequent in legislative bodies than the attempts to pass money for more than its proper value. There are men who conceive that crimes lose their stain, when the offenders are numerous: that in the character of legislators they cannot be rogues: 'defendit numerus.' There are men who would be ashamed to acquire five shillings by stealing, picking a pocket, or robbing on the highway; but they would freely and without blushing assist in passing a law to defraud their creditors of their just demands. There are instances of men being banished from North Carolina for stealing a hog not worth five dollars: while the men who banished them would contend for paying a debt of seven pounds with the value of twenty shillings: the moral sense is depraved by tender laws, or laws that enable the debtor to defraud his creditor, by offering him a fictitious payment. By such laws the mind is alienated from the love of justice, and is prepared for any species of chicane and fraud."

Hutchinson, the historian of Massachusetts, has preserved many curious particulars of the introduction of paper-money into this country, and of its operation on society. After relating the unsuccessful expedition of the Massachusetts troops against Quebec in 1690, he proceeds as follows with his narrative.

"The government was utterly unprepared for the return of the forces. They seem to have presumed, not only upon success, but upon the enemy's treasure to bear the charge of the expedition. The soldiers were upon the point of mutiny for want of their wages. It was utterly impracticable to raise in a few days such a sum as would be necessary. An act was passed for levying the sum, but the men would not stay until it should be brought into the treasury. The extreme difficulty to which the government was thus reduced, was the occasion of the first bills of credit ever issued in the colonies, as a substitute in the place of money. The debt was paid by paper notes from two shillings to ten pounds denomination, which notes were to be received for payment of the tax which was to be levied, and all other payments in the treasury. This was a new expedient. They had better credit than King James' leather-money in Ireland, about the same time. But the notes would not command money, nor any commodities at money price. Sir William Phipps, it is said, exchanged a large sum at par in order to give them credit. The soldiers in general were great sufferers, and could get no more than twelve or fourteen shillings in the pound. As the time of payment of the tax approached, the credit of the notes was raised, and the government allowing five per cent. to those who paid their taxes in notes, they became better than money. This was gain to the possessor, but it did not restore to the poor soldier what he had lost by the discount.

"The government, encouraged by the res-

toration of credit to their bills, afterwards issued others for charges of government.—They obtained good credit at the time of their being issued. The charges of government were paid in this manner from year to year. Whilst the sum was small, silver continued the measure, and bills continued their value. When the charges of government increased, after the second expedition to Canada in 1711, the bills likewise increased, and in the same or greater proportion, the silver and gold were sent out of the country. There being a cry of scarcity of money in 1714, the government caused £50,000 to be issued, and in 1716, £100,000, and lent it to the inhabitants, to be paid in at a certain period, and in the mean time to pass as money. Lands were mortgaged for security. As soon as the silver and gold were gone, and the bills were the sole instrument of commerce, pounds, shillings, and pence, were altogether ideal, for no possible reason could be assigned why a bill of twenty shillings should bear a certain proportion to any one quantity of silver more than another. Sums in bills were drawing into the treasury from time to time, by the taxes or payment of the loans: but then other sums were continually issuing out, and all the bills were paid and received without any distinction, either in public or private payments, so that, for near forty years together, the currency was in much the same state as if an hundred thousand pounds sterling had been stamped on pieces of leather, or paper, of various denominations, and declared to be the money of the government, without any other sanction than this, that when there should be taxes to pay, the treasury would receive this sort of money, and that every creditor should be obliged to receive it from his debtor. Can it be supposed that such a medium could retain its value? In 1702, 6s. 8d. was equal to an ounce of silver. In 1749, 50s. was judged equal to an ounce of silver. I saw a five shilling bill, which had been issued in 1690, and was remaining in 1749, and was then equal to eight pence only in the lawful money, and so retained but one-eighth of its original value. Such was the delusion, that not only the bills of the Massachusetts government passed as money, but they received the bills of the governments of Connecticut, New-Hampshire, and Rhode Island also as a currency. The Massachusetts bills passed also in those governments."*

By the year 1713, "silver and gold was entirely banished. Of two instruments, one in use in a particular State only, the other with the whole commercial world, it is easy to determine which must leave the particular State and which remain. The currency of silver and gold entirely ceasing, the price of every thing bought or sold was no longer compared therewith, but with paper bills, or rather with mere ideal pounds, shillings, and pence. The rise of exchange with England and all other countries was not attributed to the true cause, the want of a fixed staple medium, but to the general bad state of the trade. Three parties were formed, one very small, which was for drawing in the paper bills and depending upon a silver and gold currency. Mr. Hutchinson, one of the members for Boston, was among the most active of this party. He was an enemy all his life to a depreciating currency, upon a principle very ancient, but too seldom practised upon, *nil utile quod non honestum*.†

"Another party was very numerous.—These had projected a private bank, or rather had taken up a project published in London in the year 1684: but this not being generally known in America, a merchant in Boston was the reputed father of it. There was nothing more in it than issuing bills of credit, which all the members of the company promised to receive as money, but at no certain value compared with silver and gold: and real estates, to a sufficient value, were to be bound as a security that the company should perform their engagements. They were soliciting the sanction of the general court and an act of government to incorporate them. This party generally consisted of persons in difficult or involved circumstances in trade, or such as were possessed of real estates, but had little or no ready money at command, or men of no substance at all: and we may well enough suppose the party to be very numerous. Some, no doubt, joined them from mistaken principles; and an apprehension that it was a scheme beneficial to the public, and some for party sake and popular applause.

"A third party, though very opposite to the private bank, yet were no enemies to bills of credit. They were in favor of a loan of bills from the government to any of the inhabitants who would mortgage their estates as a security for the repayment of the bills, with interest, in a term of years, the interest to be paid annually, and applied to the support of government. This was an easy way of paying public charges, which, no doubt,

*Hutchinson's History of Massachusetts, vol. I, p. 402, 3.—London edition, 1765.

†Nothing which is not honest is useful.

they wondered that in so many ages the wisdom of other governments had never discovered.

"The controversy had a universal spread, and divided towns, parishes, and particular families. At length, after a long struggle, the party for the public bank prevailed in the general court for a loan of fifty thousand pounds in bills of credit, which were put in the hands of trustees, and lent for five years only, to any of the inhabitants, at five per cent. interest, one-fifth part of the principal to be paid annually. This lessened the number of the party for the private bank, but it increased the zeal and raised a strong resentment in those that remained."*

Under this system the trade of the province declined, and in the year 1720, there was a general cry for want of money. "The bills of credit, which were the only money, were daily depreciating. The depreciation was grievous to all creditors, but particularly distressing to the clergy and other salary men, to widows and orphans whose estates consisted of money at interest, perhaps just enough to support them, and being reduced to one-half the former value, they found themselves on a sudden in a state of poverty and want. Executors and administrators, and all who were possessed of the effects of others in trust, had a strong temptation to retain them. The influence a bad currency has upon the morals of the people, is greater than is generally imagined. Numbers of schemes, for private and public emissions of bills, were proposed as remedies; the only effectual one, the utter abolition of the bills, was omitted."†

In 1721, the governor recommended measures for preventing the depreciation of the currency; and the assembly gave him for answer, that they "had passed a bill for issuing one hundred thousand pounds more in bills of credit." This alone, as Hutchinson justly observes, "had a direct tendency to increase the mischief: but they added that 'to prevent their depreciation, they had prohibited the buying, selling and bartering silver, at any higher rates than set by acts of parliament.' This certainly could have no tendency to lessen it. Such an act can no more be executed than an act to stop the ebbing and flow of the sea."‡

"In 1733, there was a general complaint throughout the four governments of New-England of the unusual scarcity of money. There was as large a sum current in bills of credit as ever, but the bills having depreciated, they answered the purposes of money so much less in proportion. The Massachusetts and New-Hampshire governments were clogged with royal instructions. It was owing to them that those governments had not issued bills to as great an amount as Rhode Island. Connecticut, although under no restraint, yet consisting of more husbandmen and fewer traders than the rest, did not so much feel the want of money. The Massachusetts people were dissatisfied that Rhode Island should send their bills among them and take away their substance and employ it in trade, and many persons wished to see the bills of each government current within the limits of such government only. In the midst of this discontent, Rhode Island passed an act for issuing £100,000 upon loan, for, I think, twenty years, to their own inhabitants, who would immediately have it in their power to add £100,000 to their trading stock, from the horses, sheep, lumber, fish, &c., of the Massachusetts inhabitants. The merchants of Boston, therefore, confederated and mutually promised and engaged not to receive any bills of this new emission: but to provide a currency, a large number formed themselves into a company, entered into covenants, chose directors, &c., and issued £100,000, redeemable in ten years; in silver at 19s. per ounce, the then current rate, or gold in proportion, a tenth part annually. About the same time the Massachusetts treasury, which had been long shut, was opened, and the debts of two or three years were all paid at one time in bills of credit; to this was added the ordinary emission of bills from New-Hampshire and Connecticut; and some of the Boston merchants, tempted by an opportunity of selling their English goods, having broke through their engagements and received Rhode Island bills, all the rest soon followed the example. All these emissions made a flood of money—silver rose from 19s. to 27s. the ounce, and exchange with all other countries consequently rose also, and every creditor was defrauded of about one third of his just dues. As soon as silver rose to 27s., the notes issued by the merchants at 19s. were hoarded up and no longer answered the purposes of money. Although the currency was lessened by taking away the notes, yet what remained never increased in value, silver continuing several years about the same rate, until it took another large jump. Thus very great injustice was caused by this wretched paper currency, and no relief of any

* Hutchinson, vol. II, pp. 206, 7, 8 and 9.—Boston Edition of 1765.

† Hutchinson, vol. II, pp. 231, 2. ‡ Ib., pp. 245, 6.

sort obtained; for by this sinking in value, though the nominal sum was higher than it had ever been before, yet the currency would produce no more sterling money than it would have done before the late emissions were made."*

Towards the close of the year 1738, a great clamor arose against the governor for adhering to his instructions about paper-money, and an agent was appointed at the expense of the colony, to procure, if possible, a relaxation of the instructions. A petition was presented by him from the House to his Majesty in Council, but it had no effect.

"A general dread of drawing in all the paper-money without the substitution of any other instrument of trade in the place of it, disposed a great part of the province to favor the land bank, or manufactory scheme, which was begun, or rather revived in this year, 1739, and produced such great and lasting mischiefs, that a particular relation of the rise, progress, and overthrow of it, may be of use to prevent any attempts of the like nature in future ages. By a strange conduct in the general court, they had been issuing bills of credit for eight or ten years annually, for charges of government, and being willing to ease each present year, they had put off the redemption of the bills as far as they could, but the governor being restrained by his instructions from going beyond the year 1740, that year was unreasonably loaded with thirty or forty thousand pounds sterling taxes, which, according to the general opinions of the people, it was impossible to levy. Royal instructions were no bar to the proceedings of private persons. The project of a bank in the year 1714 was revived. The projector of that bank now put himself at the head of seven or eight hundred persons, some few of rank and good estate, but generally of low condition among the plebeians, and of small estate, and many of them perhaps insolvent. This notable company were to give credit to £150,000 lawful money, to be issued in bills, each person being to mortgage a real estate in proportion to the sum he subscribed and took out, or to give bond with two sureties, but personal security was not to be taken for more than £100 from any one person. Ten directors and a treasurer were to be chosen by the company. Every subscriber or partner was to pay three per cent. interest for the sum taken out, and five per cent. of the principal, and he that did not pay bills might pay the produce and manufactures of the province at such rates as the directors from time to time should set, and they should commonly pass in lawful money. The pretence was, that by thus furnishing a medium and instrument of trade, not only the inhabitants in general would be better able to procure the province bills of credit, but trade, foreign and inland, would revive and flourish. The fate of the project was thought to depend on the opinion the general court should form of it. It was necessary therefore to have a House of Representatives well disposed. Besides the eight hundred persons, subscribers, the needy part of the province in general favored the scheme. One of their votes will go as far in popular elections as one of the most opulent. The former are most numerous; and it appeared that by far the majority of representatives for 1740, were subscribers to or favorers of the scheme, and they have ever since been distinguished by the name of the Land Bank House.

"Men of estates and the principal merchants in the province abhorred the project and refused to receive the bills, but great numbers of shopkeepers who had lived for a long time before upon the fraud of a depreciating currency, and many small traders, gave credit to the bills. The directors, it was said, by a vote of the company, became traders, and issued just what bills they thought proper without any fund or security for their ever being redeemed. They purchased every sort of commodity, ever so much a drug, for the sake of pushing off their bills, and by one means or other a large sum, say perhaps fifty or sixty thousand pounds, was abroad. To lessen the temptation to receive the bills, a company of merchants agreed to issue their notes or bills, redeemable by silver and gold, at distant periods, much like the scheme in 1733, and attended with no better effect.—The governor exerted himself to blast this fraudulent undertaking, the land bank. Not only such civil and military officers as were directors or partners, but all who received and paid any of the bills were displaced. The governor negatived the person chosen Speaker of the House, being a director of the bank, and afterwards negatived thirteen of the new elected counsellors, who were directors or partners in, or reputed favorers of, the scheme. But all was insufficient to suppress it. Perhaps the major part, in number, of the inhabitants of the province, openly or secretly were well-wishers to it. One of the directors afterwards acknowledged to me, that although he entered into the company with a view to the public interest, yet when he found what

* Hutchinson, vol. II, pp. 380, 1.

power and influence they had in all public concerns, he was convinced it was more than belonged to them, more than they could make a good use of, and therefore unwarrantable. Many of the most sensible, discreet persons in the province, saw a general confusion at hand. Application was therefore made to parliament for an act to suppress the company, which, notwithstanding the opposition of the agent, was very easily obtained, and thereon it was declared that the act of the 6th of King George the First, chapter eighteenth, [the Bubble Act,] did, does, and shall extend to the colonies and plantations in America.—Had not the parliament interposed, the province would have been in the utmost confusion, and the authority of government entirely in the Land Bank Company."*

Every scheme for fixing the value of the provincial bills of credit having failed, "a new project was, in 1741, reported by a committee of the House and accepted, and afterwards concurred in by the council and consented to by the governor. This was a scheme to establish an ideal measure, in all trade and dealings, let the instrument be what it would. The act which passed the court, declared that all contracts should be understood payable in silver at 6*s*. 8*d*. the ounce, or gold in proportion. Bills of a new form were issued, 20*s*. of which expressed in the face of the bill three ounces of silver, and they were to be received accordingly in all public and private payments, with this saving, that if they should depreciate in their value, an addition should be made to all debts as much as the depreciation from the time of contract to the time of payment. How to ascertain the depreciation from time to time was the great difficulty in framing the act. To leave it to a common jury would never do. There were some doubts whether a House of Representatives would be wholly unbiassed. At length it was agreed that the eldest counsellor in each county should meet once a year to ascertain the depreciation.

"This at best must have been a very partial cure. It did not prevent the loss from the depreciation of the bills in those persons' hands through which they were continually passing. All debts which were contracted and paid between the periods when the value of the bills was fixed annually, could not be affected by such fixing; and unless in debts of long standing which the debtor would not pay without an action at law, demand was not ordinarily made for depreciation, and what rendered it of little effect in all other cases, the counsellors appointed to estimate the depreciation never had firmness enough in any instance to make the full allowance; but when silver and exchange had risen twenty per cent. or more, an addition was made of four or five only. The popular cry was against it, and one year when Nathaniel Hubbard, Esq., the eldest counsellor for the county of Bristol, a gentleman of amiable character, and who filled the several posts he sustained with applause, endeavored to approach nearer to a just allowance than had been made in former years, he felt the resentment of the House, who left him out of the council the next election. In short, the act neither prevented the depreciation of the bills, nor afforded relief in case of it, and was of no other service than to serve as a warning, when an act passed for establishing the currency a few years after, *to leave nothing to be done by any person or bodies of men, or even future legislatures*, to give the law its designed effect, but in the act itself to make full provision for its execution in every part."†

"By the expedition to Louisburgh, the preparations for the reduction of Canada, and the several supplies of men for Nova Scotia, the province had," by the year 1747, "issued an immense sum in bills of credit, between two and three millions, according to their denominations in the currency. The greater part of this sum had been issued when between five and six hundred pounds were equal to one hundred pounds sterling; and perhaps the real consideration the government received from the inhabitants who gave credit to them, was near four hundred thousand pounds sterling: but by thus multiplying the bills they had so much depreciated that, at the end of the war, eleven or twelve hundred pounds was not equal to more than a hundred pounds sterling, and the whole debt of the province did not much exceed two hundred thousand pounds sterling. Thus the people had paid two hundred thousand pounds sterling, in two or three years, besides a large sum raised by taxes each year, as much as it was supposed the people were able to pay; but to pay by the depreciation of the bills, although infinitely unequal, yet as they were shifting hands every day, it was almost insensible, a possessor of a large sum for a few days not perceiving the difference in their value between the time when he received them and the time when he parted with them. The apprehension of their depreciation tended to increase it, and occasioned a quick circula-

* Hutchinson, vol. II, pp. 392, 3, 4, 5 and 6.

† Ib., pp. 402, 3, 4.

tion; and for some time, even for English goods, which ordinarily sell for the longest credit, nobody pretended to ask credit. They were constantly, however, dying in somebody's hands, though nobody kept them long by them. Business was brisk, men in trade increased their figures, but were sinking the real value of their stock, and, what is worse, by endeavors to shift the loss attending such a pernicious currency from one to another, fraudulent dispositions and habits are acquired, and the morals of the people depreciate with the currency.

"The government was soliciting for the reimbursement of the charges in taking and securing Cape Breton, and by the address, assiduity, and fidelity of William Bollan, Esq., who was one of the agents of the province for that purpose, there was a hopeful prospect that the full sum, about £180,000 sterling, would be obtained.

"Mr. Hutchinson, who was then Speaker of the House of Representatives, imagined this to be a most favorable opportunity for abolishing the bills of credit, the source of so much iniquity, and for establishing a stable currency of gold and silver for the future. About two millions two hundred thousand pounds would be outstanding in bills in the year 1749. One hundred and eighty thousand pounds sterling at eleven for one—which was the lowest rate of exchange with London for a year or two before, and perhaps the difference was really twelve to one—would redeem nineteen hundred and eighty thousand pounds, which would leave but two hundred and twenty thousand pounds outstanding: it was therefore proposed that the sum granted by parliament should be shipped to the province in Spanish milled dollars, and applied for the redemption of the bills as far as would serve for that purpose, and that the remainder of the bills should be drawn in by a tax on the year 1749. This would finish the bills. For the future, silver of sterling alloy at 6*s.* 8*d.* the ounce, if payment should be made in bullion; or otherwise milled dollars at 6*s.* each, should be the lawful money of the province, and no person should receive or pay within the province, bills of credit of any of the other governments of New-England.—This proposal being made to the governor, he approved of it, as founded in justice and tending to promote the real interest of the province, but he knew the attachment of the people to paper-money, and supposed it impracticable. The Speaker, however, laid the proposal before the House, when it was received with a smile, and generally thought to be a Utopian project; and rather out of deference to the Speaker than from an apprehension of any effect, the House appointed a committee to consider of it. The committee treated it in the same manner; but reported that the Speaker should be desired to bring in a bill for the consideration of the House. When this came to be known abroad, exceptions were taken and a clamor was raised from every quarter. The major part of the people in number, were no sufferers by a depreciating currency; the number of debtors is always more than the number of creditors, and although debts on specialties had allowance made in judgments of courts for depreciation of the bills; yet, on simple contracts, of which there were ten to one specialty, no allowance was made. Those who were for a fixed currency, were divided. Some supposed the bills might be reduced to so small a quantity as to be fixed and stable, and therefore, were for redeeming as many by bills of exchange as should be thought superfluous; others were for putting an end to the bills, but in a gradual way, otherwise it was said a *fatal shock* would be given to trade. This last was the objection of many men of good sense. Douglass, who had wrote well upon the paper currency, and been the oracle of the anti-paper party, was among them; and as his manner was with all who differed from him, discovered as much rancor against the author and promoter of this new project as he had done against the fraudulent contrivers of paper-money emissions."*

After many weeks spent in debating and settling the several parts of the bill, it was rejected: but afterwards, on motion, reconsidered, passed by the house and council, and approved by the governor.

"The provision made by this act for the exchange of the bills and for establishing a silver currency, was altogether conditional, and depended upon a grant of parliament for reimbursement of the charge of the Cape Breton expedition. This being at a distance and not absolutely certain, the act had no sudden effect upon the minds of the people; but when the news of the grant arrived, the discontent appeared more visible, and upon the arrival of the money there were some beginnings of tumults, and the authors and promoters of the measure were threatened. The government passed an act with a severe penalty against riots, and appeared deter-

* Hutchinson, vol. II, pp. 435 6, 7.

mined to carry the other act for exchanging the bills, into execution. The apprehensions of a *shock* to trade proved groundless: the bills being dispersed through every part of the province, the silver took place instead of them, a good currency was insensibly substituted in the room of a bad one, and every branch of business was carried on to a greater advantage than before. The other governments, especially Connecticut and Rhode Island, who refused, upon being invited to conform their currency to the Massachusetts, felt a *shock* in their trade from which they have not yet recovered. The latter had been the importers for Massachusetts, of West India goods, for many years; which ceased at once."*

From this account of the operation of the provincial paper money of Massachusetts, the reader may judge of its operation in the other colonies; and thereby learn to estimate properly that provision of the United States' Constitution, which forbids any State "to emit bills of credit, pass any law violating the obligation of contracts, or make any thing but gold and silver a legal tender in the payment of debts."

The successful issue of the experiment in Massachusetts did not induce the other governments to take the necessary measures for substituting a metallic for a paper medium. But as the British merchants trading to the colonies were sufferers by the monetary system of the day, an act of parliament was passed in 1763, "to prevent paper bills of credit, hereafter, to be issued in any of his Majesty's colonies or plantations in America, from being declared to be a legal tender in payment of money, and to prevent the legal tender of such bills as are now subsisting from being prolonged beyond the periods for calling in and sinking the same."

The preamble to the act declared, with great truth, that by means of paper bills of credit, "debts have been discharged with a much less value than was contracted for, to the great discouragement and prejudice of trade and commerce of his Majesty's subjects, by occasioning confusion in dealings, and lessening credit in the said colonies or plantations." The body of the act made void all acts of assembly thereafter passed to establish or keep up such tender; and inflicted a fine of £1,000 (with immediate dismissal and future incapacity to fill any public office or place of trust,) on any governor who should give his assent to such act of legal tender.

This measure caused much murmuring, for the speculating classes of society, who are always the most noisy, liked not to be deprived of so many opportunities of profit as a vacillating currency afforded them.—They appear to have had influence enough to prevent the act from being effective in some of the colonies; for we find that ten years after, another act with the same title was passed by the British Parliament.

The two acts together seem to have reduced the paper bills of credit to a very small amount; for Pelatiah Webster, a respectable merchant of Philadelphia, estimates the whole circulating cash of the thirteen States, just before the war, at twelve million dollars; or perhaps, not more than ten million hard dollars in value. "Not more than half," he says, "or at most three-fifths, of the circulating cash in this State (Pennsylvania) was paper; and I am well convinced that that proportion was not exceeded in the other States where paper-money was circulated."

This provincial paper may be regarded as a species of government script, which by an act of tyranny was made a legal tender. It fluctuated in value, according to the changes in the credit of the government by which it was issued, and the amount thrown into the market. Being more liable to great depreciation, it was inferior to bank paper as money; but its character was better understood by the people. They knew the authority of the government, and the resources of the government. When they were injured, they knew by whom they were injured, if not to what extent.

In one respect the provincial paper-money system had an effect directly opposite to that of the present banking system. Through the present banking system, dealings on credit are carried to an extent beyond that in which they are useful, and in which they become highly pernicious. Through the old paper-money system, confidence was destroyed, and credit prevented from spreading to its natural extent.

The profits gained by the governments by the issues of paper-money, enabled them to diminish the regular taxes; but this gain was insignificant, and the evils produced by the system were incalculably great. All that honest men lost by highwaymen, housebreakers, footpads, and horsethieves, was trifling in amount when compared with that which they lost through the instrumentality of the paper-money of the different colonies.

* Hutchinson, vol. II, p. 440.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, January 19, 1842. No. 15.

This Journal of Banking, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
Philadelphia—By the Editor, No. 302 Race street.
Mr. G. B. Zieber, *News-vender*, corner of Third and Dock.
Mr. J. R. Colon, *News-vender*, 203½ Chesnut street,
Mr. J. M. Davis, *bookseller*, 449 Market street.

New York—Mr. W. Hayward, *Stationer*, 89 Division st.

Baltimore—Mr. W. Taylor, *News-vender*, North street.

Boston—W. H. S. Jordan.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

HISTORY OF THE BANK OF ———.

Concluded from page 211.

There was, as there ever will be—even under a currency purely metallic—occasional and temporary enhancement of prices not warranted by the laws of supply and demand; and a corresponding increase in the amount of currency became necessary to carry on exchanges: but that unerring monitor, when left free and uncontrolled—the state of foreign exchanges—gave seasonable admonition of a dangerous excess; and the instant that the shipment of precious metals commenced, the Bank's discounts were lessened, prices gently reduced to a point of safety which was immediately and easily attained, and so far as this bank was concerned, its condition was, at all times, kept impregnable. Dealing in business paper alone, its "bills discounted" were elastic and flexible, and its contraction acted immediately on the prices of commodities. As its customers operated on *their own capital*, and not on *bank credit*, the restriction of its circulation did not break the merchant, before it could reach the exportable commodities, but acted *directly on the latter*. The melancholy spectacle of the failure of seven hundred trading houses in the city of New-York in 1837–'38, would never have occurred, had all the banks adhered to the rule of discounts of short business paper only, and not renewable. It was the withdrawment of the *bank credit*, on which merchants had traded as if it had been *capital*, that produced this mischief; and before the banks could reach the commodities over the ruins of mercantile credit, both themselves and their victims fell into one common slough of insolvency; and to the firmness of the State Legislature of New York are we indebted for that continued contraction of bank issues, which reduced the price of commodities, and brought the precious metals back from Europe, into her commercial metropolis, and thus restored the equilibrium.

Such was the practice of the bank to which my narrative refers, anterior to the year 1832.—And now what was the result of its operations to its stockholders, and what was its effect on the trading community, whose transactions it controlled? I will answer these questions, according to my recollection.

First. For twenty-five years down to the year 1832, the bank redeemed all its engagements in specie on demand; and during the war, being unable to enforce the collection of its debts from other banks and its own customers, in season to redeem its circulation, it actually entered the market and bought the precious metals at a premium varying from 3 to 22 per cent. to meet its own engagements, although it held claims on other solvent banks far beyond the whole amount of its issues, which banks took refuge from the payment of their debts in a general suspension, and actually refused to exchange issues unless the difference between them was paid *to them*. *There never was a note of this bank dishonored.*

Second. The dividends of the bank, *while in operation*, averaged ten per cent. on the whole capital employed.

Third. The entire loss of the bank on discounted paper, for a period of twenty-five years, was *fifty dollars!!*

Fourth. The whole expense of administration of the affairs of the bank, exclusive of rent for the first two years, was less than one thousand dollars: the cashier's salary, the only paid officer, who performed all the duties, being $700 annually; and contingencies, such as stationary and fuel being about $250. On the 5th of July, 1809, in consideration of the increased labor of the cashier, his salary was enlarged to $1000; and the whole business of the bank was conducted by him (the directors, who were real stockholders, but not borrowers, superintending the discounts) and the entire expenses of the bank, including the cashier's salary from 1809 to 1832 (twenty-two years) did not exceed $1500 annually, exclusive of rent.—No discount was ever made by the cashier, unless previously authorized by the board of Directors.

Fifth. There was not, within my knowledge, a single failure among the regular dealers with the bank from 1807 to 1832, a period of a quarter of a century! during which time, the war and the

commercial crises of 1819 and 1825 created great commercial distress. Insolvency among the dealers with this institution would have been regarded as *prima facie* evidence of dishonesty or culpable mismanagement—and a debtor who contracted an obligation without having at the time some reliable means of payment, was considered a *gambler*.

Sixth. At any period while the bank was in operation, its affairs could be wound up, its bills receivable all collected, and the stock returned, and banking house sold on four months notice; *and without loss.*

Such was the condition of the bank down to 1832, but very different was the sequel. That eminent Belles Lettres scholar, but most consummate charlitan in finance, Mr. Biddle, in the vain hope of extorting a renewal of his charter, suddenly enlarged his discounts nearly forty millions of dollars, amounting, including local discounts and bills of exchange, on the 1st of May, 1832, to $70,428,700; and a contemporaneous increase of facilities by the local banks, took place. Every body then became a speculator—the farmer left his plough in the furrow—the mechanic abandoned his tools—the manufacturer stopped his spindles—the lawyer laid aside his brief—the doctor dropped his pestle—even the divine quitted the sacred desk, and *the whole nation* was suddenly transformed from a great, moral, industrious and frugal people, into an army of gamblers.

The customers of our bank partook of the general infection—became clamorous for "more money"—demanded "accommodation"—insisted that our town was already retrograding, or, what was the same in effect, all other places were advancing faster in the career of prosperity. The directors yielded to the clamor. In vain did the president pourtray the evils of departing from the rules which had sustained both the bank and its customers for a period of twenty-five years through great commercial difficulties. He told them he would sooner risque his life at sea in a ship without a rudder, than his character and fortune in a bank dealing in accommodation notes—that of the two he had rather find a *counterfeit* than an *accommodation note*, among the bills receivable.—He was reproached as being quite behind the age, and as belonging to a school then utterly extinct. He was told that the resources of the country were increased, and largely increasing, and required more bank capital; and in order to maintain the popularity of the institution, it must "*accommodate*" its customers. Finding resistance in vain, the president finally told the board that, with a view of preserving unbroken the harmony which had subsisted for so long a period, during which time he had not voted on his own stock, but relied on moral arguments and the test of experience to sustain his counsels, he would now make a proposition, either to purchase out their interest or sell his own as a stockholder, and forever dissolve his connection with the institution; and on fixing his terms, his interest was purchased, and his stock *that day for the first time in twenty-five years transferred.*

The principles and policy that had governed the institution were thenceforward changed. The *permanent investment* of its capital was no longer continued, but it was employed in discounts; notes were discounted with the understanding of renewal, on receipt of five or ten per cent. on each extension. The borrowers from the bank turned speculators, and converted their pasture ground into town lots, which were readily sold, as such, at extravagant prices; products rose, and every countenance beamed with joy and gladness. The president was then carefully and constantly reminded of the fact that he belonged to an old school, and not to the present *enterprising* generation.

And now for the sequel. In a very brief period, the bank was compelled to resort to New-York brokers, to borrow money on a pledge of its bills discounted, to redeem its own circulation, over which a notarial protest was held in suspense for twenty-four hours! And

In about *four years* the bank stopped payment and was declared insolvent. Its paper, which had been redeemed *for more than a quarter of a century in gold and silver*, was sold at a heavy discount: its whole capital and outstanding circulating bills were represented by unavailable assets.

I submit to your judgment whether, if all the banks in the United States had then adopted the principles of banking that governed this institution, the country would not have been saved from the loss and disgrace which have now overtaken it.

AN OLD FASHIONED MAN.

To the question put to us by our correspondent, we unhesitatingly reply, that if all the banks in the country had been conducted on the principles he has so ably enforced, *not one of them would have suspended specie payments.* All the notes issued by them would then have been the representatives of bills of exchange, and the bills of exchange in the port folios of the banks, would have been the representatives of commodities in the hands of dealers. By the sale of their commodities, the merchants would have been able duly to discharge their debts to the banks, and thereby have enabled the banks to redeem their issues. Banks so conducted would never be under the necessity of stopping specie payments.

Yet we must be permitted to observe—

1st. That permanently investing the capital of a bank in something different from business paper, is not of itself sufficient to secure regularity in banking operations. The whole capital of the Bank of England is permanently invested in Government securities. Yet the Bank of England, by its contractions and expansions, deranges the commercial operations of Great Britain and the United States, and, through them, the commercial operations of the whole world.

2ndly. That the private and joint stock banks of England and Scotland, make it a general rule to discount nothing but business paper, and to make prompt settlements with one another. Yet paper money banking in England and Scotland has produced evils inferior only to those it has produced in the United States.

The result of experience in Great Britain, is, then, that so long as Bank and State are united, even conducting the great body of banks on commercial principles, will not prevent those fluctuations which are so pernicious to communities.

Whenever Government borrows bank credit, or receives bank notes in payment of public dues, bank issues are made to meet fiscal in addition to commercial demands. Notes are consequently issued which are not the representatives of commodities that can be sold in time to redeem the issues. The effect of every embarrassment that Government experiences, does also, by necessity, extend to the whole body of merchants.

In justice to our correspondent, it is proper to observe, that he nowhere insists on the proper investment of bank capital in permanent securities, as being *of itself* sufficient to insure regularity in banking. On the contrary, he contends that while the capital should be thus permanently invested, the credit dealings of banks, or those founded on their deposits and circulation, should be confined to business paper. The two principles should be taken together. We deem it incumbent on us to guard against the first being taken separately, and as of itself sufficient, especially since some vague notion of this kind seems to have led to the adoption of the wretched system known in the State of New York under the name of "Free Banking."

In further justice to our correspondent, we must remark, that he is well aware of the importance of separating Bank and State, in order that our Banks generally may be conducted on commercial principles. But he had not room for an argument on this point; and did not perhaps consider it necessary.

There are, as we stated in our last, serious objections to *paper money* banks even when conducted on commercial principles, and there would be such objections, even if Bank and State were separated, if the issue of notes of a less denomination than fifty or a hundred dollars were permitted. But we will not press these objections just now. Paper money banks exist, and will, it is to be feared, continue for years to exist. While it is a duty to labor for the substitution of *hard money* banks in their place, it is also a duty to endeavor to alleviate the evils which paper money banking produces. We cannot, therefore, too urgently recommend to the conductors of our present banking institutions, an attention to the principles which our correspondent so ably illustrates and enforces. Without strict attention to them, the banks in New England, New York, and South Carolina, will not be able long to sustain specie payments.

TREASURY NOTES.

Their Use and Abuse.

Hard money men have sometimes, been accused of acting inconsistently, because they have, in particular states of public credit, proposed issues of Treasury notes to supply the wants of Government. The accusation can with justice be brought against such of them, (if any such there be,) as may have proposed the issue of Treasury notes, in such form and of such denominations as would serve as a *currency*.

If any hard money man, for example, has proposed the issue of Treasury notes of as small denominations as five, or ten, or even twenty dollars, *bearing no interest*, that man has acted inconsistently with his principles. For, such notes would be just as effective as bank notes in driving gold and silver from circulation.

But Treasury notes of the denomination of fifty dollars and upwards, and *bearing the market rate of interest*, do not become *currency*. They are hoarded by capitalists as profitable investments. They may be remitted from point to point as bills of exchange: but hard money men do not object to bills of exchange.

Treasury notes of suitable denominations and bearing the market rate of interest, are exactly similar in their character to the notes of hand given by farmers and mechanics. Government does, indeed, receive these Treasury notes in payment of debts due to itself: but what farmer or mechanic, having a large amount of debts due to him, would refuse to receive payment of them in his own outstanding obligations?

It is to be regretted that any occasion exists for the use of such paper; but hard money men are guilty of no inconsistency, when they propose to issue Treasury notes to supply the wants of Government, in preference to borrowing bank notes or bank credits. The exchange of evidences of Government credit bearing interest, for evidences of bank credit bearing *no* interest, is altogether inconsistent with hard money principles.

If Bank and State were separated, and if our Treasury system was properly organized, then hard money men would act inconsistently with their principles, if they should propose an issue of Treasury notes (unless to meet some temporary exigency,) if it were possible to borrow the requisite sum in specie, and on reasonable terms.

But suppose we should now attempt to borrow ten millions in specie. For whose benefit would we borrow it? As the Governmental depositories have been abolished, this sum would go into the vaults of the "pet banks," and inure to their benefit.

Suppose we borrow bank notes and bank credits? Hard money men contend for a *complete* separation of Bank and State. They contend that Government should neither lend to the Banks nor borrow from them. Every loan of credit by the Banks to Government, necessarily occasions more or less derangement of all the commercial operations of the country.

In this crisis, there would seem to be no way in which the wants of Government can be so readily met, as by *funding* the Treasury notes already issued, and issuing others to be *funded* hereafter, if the public revenue shall not suffice for their redemption.

If any like not to push this mode of borrowing to any great extent, especially in time of peace, (and we confess it is not free from objection,) let them labor to do away the necessity for it, by properly organizing the United States Treasury. Let proper depositories for the public money be provided, with suitable safeguards, and then let hard money loans be negotiated. In this way Government may be made to contribute its part towards supplying the country with a sound circulating medium.

In the true theory of finance, the use of Treasury notes is admissible only to supply *temporary* deficiencies of revenue. As, according to present

prospects, there will, for years to come, be a deficiency in the United States Revenue, it is much to be desired that the Treasury should forthwith be so organized as to admit of the negotiation of hard money loans.

GOVERNMENT CREDIT.

A fundamental principle of finance is, that, whenever a debt is incurred, unless it be to supply some temporary deficiency of revenue, a tax should be imposed, sufficient not only to pay the interest of that debt, but ultimately to sink the principal. This holds good whether Treasury notes or certificates of Stock are issued as evidences of the debt. It is through neglect of this principle, that the credit of the States has been swamped; and if it be neglected by Congress, the credit of the United States will, in a few years, be on a level with that of Pennsylvania and of Indiana.

There is, indeed, one way in which the credit of the United States may be sustained, without resorting to additional taxation, and that is, by restoring to Government the proceeds of the public land sales, and by reducing the public expenditure. If this be practicable, let it be done. The times for *trickery* in finance have gone by. Either reduce the expenditures, or increase the revenue. Otherwise the ability to borrow *in any way*, will soon be exhausted.

THE STATE OF THE COUNTRY.

What a spectacle our country presents. We have a fertile and extensive territory, embracing a great variety of climates, and great diversities of soil, producing in abundance all the necessaries and many of the luxuries of life. We have capital and skill sufficient to turn these natural advantages to the best account. Our people are industrious and enterprising. They are in possession of all the improvements in the arts, and discoveries in the sciences, which the experience of six thousand years has given to the world. In the long period of sixty years, they have had but three years of war.

And yet embarrassment pervades the land.—Hundreds of thousands of our citizens are said to be actually bankrupt. Hundreds of thousands of others are said to be on the verge of bankruptcy. The accumulations of long years of industry and frugality are daily vanishing from the sight of those who thought they had in those accumulations the means of supporting themselves in their declining years. And many of those who still have strength to labor, if they seek for employment, find it difficult, if not impossible, to get profitable employment.

In the midst of all the elements of wealth, general embarrassment prevails. To what is this owing? To one cause, and to one cause only To the violation of those provisions of the United States Constitution, which were intended to make this a *hard money* government, and a *hard money* country. In our paper money, we have had a *false* measure of value, and this has led us to place a *false* estimate on *every thing*. Many of our enterprises have consequently been foolish, and our investments injudicious. On our paper money has been founded a system of *factitious* credit.—The foundation gives way, and the superstructure tumbles accordingly.

Are the State Governments embarrassed? It is owing to the same cause as the embarrassment of individuals. Without paper money banks, there would have been no State debts, or at least none of any moment. It is through the facilities for borrowing which these institutions have afforded, that millions have been expended on useless canals and equally useless rail-roads.

The present times are gloomy, and the prospects for the future more gloomy still. In days of former trouble, corporations gave way and individuals gave way. But as the States then maintained their credit, there was something for the community to fall back upon. But now there is every probability of a general, we do not say a universal, bankruptcy of the State Governments.

Ten years ago, we could see a way in which this execrable system of paper money and the system of factitious credit founded thereon, might be got rid of without a convulsion. But, we confess, we can see no such way now. A system which was unsound from the beginning, has been suffered to continue too long. A convulsion must come. Nay, it is already begun, and will continue till it produces such a revolution in property as will to multitudes be quite as disastrous as could be a revolution in the Government.

Happy will the people be, if by tracing effects up to their cause, they avoid the recurrence of such convulsions in future. Happy will they be, if they can prevent the building up of some new paper money system, out of the ruins of that which has been the cause of so much misery!

CONTINENTAL MONEY.

The old articles of confederation contained a clause authorizing Congress "to emit bills of credit." When the present constitution was formed, an attempt was made to introduce into it a similar provision, but it was rejected. Reasons sufficient for this will be found in the short but full history of continental money, which will be found in another part of the present number. These reasons ought to command especial attention at a time when a proposition is before Congress to make a fresh issue of Governmental paper money.

THE BANK OF NOTH AMERICA.

The early history of the Bank of North America, which follows the history of Continental Money, is a history of paper money banking in miniature. Though operating singly, this bank, by its contractions and expansions, produced such convulsions, as in less than four years led to a repeal of its charter. Yet such was the power of associated cupidity that the charter was afterwards restored.

THE OLD BANK OF THE UNITED STATES.

The history of this bank, which will be found in another part of this number, affords some remarkable points of contrast with the late, or "Biddle" Bank of the United States. Though suddenly called upon to wind up its affairs, it not only paid its noteholders and depositors in full, but paid its stockholders 97 per cent. on the par value of the shares, and interest on the time for which payment was deferred.

The old Bank of the United States was a *commercial;* the "Biddle" Bank, a *stock-jobbing* and *land-jobbing* institution. Hence the difference in the results which their history presents. The *old* Bank of the United States was, perhaps, as well managed as a *paper-money* bank could be.—It issued no notes of a less denomination than ten dollars, and for these, such was the state of public opinion, only a limited circulation could be obtained. Yet, it is hardly necessary to tell the reader, who is acquainted with *principles*, that the old Bank of the United States produced such effects as are inseparable from paper-money banking. They were—gain to the few: loss to the many. Excess of currency to-day: scarcity to-morrow. The monopoly it created was a *closer* one than ever existed in this country, either before or since; and desire to share in the gains of so very profitable a monopoly, rather than an opposition to paper-money banking, appears to have led to a non-renewal of the charter. The constitutional objections to the bank were, indeed, unanswerable; but they alone would never have put an end to this powerful institution.

INDIANA.

A select committee of the House of Representatives has reported "a bill for the relief of the people," that is to say, "a bill to authorise the issue of *five millions* in Treasury notes, to be lent to the people of the different counties." This is beautiful. A State which already owes about fifteen million dollars, and the five per cent. stock of which is sometimes between 80 and 90 per cent. below par, authorising an additional debt of five millions.

Another committee has reported a bill to authorise the State Bank to issue notes of a less denomination than five dollars. By the aid of these two contrivances together, "money" may be made plenty enough in Indiana; and as a committee of the Legislature say, "that it is the great scarcity of money which is now weighing down the energies of the people," it is hoped they will be effectually relieved.

PENNSYLVANIA.

In his message to the Legislature, the Governor states that the funded debt of this State is $36,-330,005 48, besides $2,867,514 78 due to the United States on account of deposit of surplus revenue, and a *floating* debt, due to contractors, and others, the exact amount of which is not stated, but which is believed by some to be very considerable.

The annual interest on the funded debt is about $1,800,000. To meet that portion which is due on the first of February, there was in the Treasury on the first of January $1,020,936 68, a sum which will be amply sufficient, if a preference be given to the claims of holders of State stocks over those of other public creditors.

To the contractors on the North Branch Canal and Erie extension, the sum of nearly one million dollars is due. The Governor suggests that, if no better expedient can be devised, they should be paid by a new issue of six per cent. stock.

An additional issue of six per cent. stock is recommended by the Governor, "to be thrown into market to sell for whatever it will produce," in order to redeem the $1,756,650 68 of State *bills of credit*, issued under the authority of the relief law of the last session.

If this measure should be resorted to, the probability is that Pennsylvania sixes would fall at least 75 per cent. below par. It would consequently require about seven millions of six per cent. stock to redeem about a million and three-quarters of State bills of credit.

The truth is that the credit of a State is "on its last legs," when it is reduced to the necessity of extorting loans of a dollar a head, from every chamber maid and waiting boy in the State, and every body else who has a dollar to lend, especially when this loan is not openly negotiated, but effected through an issue of paper intended to serve as a substitute for money. To this financiering expedient did the State of Pennsylvania resort in June last.

The business of laying, or at least of collecting taxes, has been delayed too long; and the best that can now be done is to sell the public works, or portions of them, for what they will bring, taking payment in State stocks and State bills of credit. Under State management, they do not appear to yield enough to pay for repairs and superintendence. In the hands of companies, they might be rendered productive.

Of those rail roads and canals, 738¼ miles are completed, and 165¾ miles are in an unfinished state. They have cost upward of thirty millions of dollars. Perhaps if offered for sale, they would not bring more than half that amount, even if payment should be made in State stocks.

In the business of internal improvement, we Americans certainly excel all other people. We lay our plans with so much wisdom, and are so particularly skilful in devising ways and means for their proper execution.

NEW YORK.

The circulation of the banks of the State of New York, is said to have amounted to the following sums on the 1st of January, in each year, from 1837 to 1842.

Year.	Safety Fund Banks.	Free Banks.	Total.
1837	24,198,000	none	24,198,000
1838	12,432,478	none	12,432,478
1839	19,373,149	2,500,000	21,873,149
1840	10,360,592	6,012,000	16,372,592
1841	15,235,053	5,353,067	20,588,123
1842	8,100,000	4,000,000	12,100,000

The amount of circulation of the free banks for 1842 is estimated.

On a hard money system, the currency of the State of New York would have increased gradually in each year, from 1837 to 1842, exactly in proportion to the increase of wealth and population. But under the paper money system, we find the currency first decreasing at the rate of nearly 50 per cent., then increasing at the rate of 90 per cent.; then decreasing at the rate of 24 per cent., then increasing at the rate of 25 per cent.; and then decreasing at the rate of 40 per cent.

Such fluctuations must have produced the ruin of thousands. No doubt, though, some have been enriched by these changes of currency. We are told that there are "down east," a number of gentlemen who support the present banking system, not from ignorance of its character, but because they think they can, by taking advantage of the fluctuations it produces, make more money for themselves than they could with a hard money currency. These same gentlemen would very seriously object to the use of *false* dice in any common gambling game.

BANK OF THE UNITED STATES.

The directors in their report to the stockholders on the 3rd of January last, speaking of the sale made by them, of the Merchants' Bank of New Orleans, state that the stock of that bank, cost the United States Bank $1,100,000, or 110 dollars a share———that, according to a minute estimate of the assets of the Merchants' Bank, made in April last, the interest of the United States Bank therein, was equal to $906,000, or about 90 dollars a share, but that owing to the difficulty of realizing bank assets, and owing to the straits to which the United States Bank was reduced, it was deemed advisable to sell the Merchants' Bank to Mr. Edward Yorke of New Orleans, at the rate of fifty-seven dollars and fifty cents a share.

We pretend not to question the wisdom of the board in making this sale. But as there was, among the assets of the Merchants' Bank, the sum of $334,427 in specie, we should like to know the exact value of all the bank stock in the country estimated on like principles.

Another transaction to which the Board refer in their report, is the final arrangement with their agents, or, as they are called, "The Associates of the Bank of the U. States in New York." By the terms of contract with them, they were to receive twelve thousand dollars a year for fifteen years, and the bank to pay all the expenses of the agency. Wishing to get rid of this contract, the case was submitted to arbitrators, and an award made in favor of the associates, of $101,613 60, "which *was paid* by the Bank." Would "the Associates" have received this amount, if their claim had been suffered to rest on the same basis as those of other creditors of the Bank? What right in equity have they to compensation for services they never rendered. A skilful lawyer could probably recover the amount from them, for the benefit of the general creditors of the Bank. As a condition of affairs supervened, in which it was impossible to render the services contemplated in the contract, the contract itself should have been regarded as of no value. What with compensation to some "for services rendered," or *supposed* to be rendered, and with compensation to others for services never rendered, little will be left for note holders and depositors, to say nothing of stockholders.

Mr. Richard Alsop, one of "the Associates of the Bank of the United States in New-York," endorsed certain bonds issued by the Planters' Bank of Mississippi to the Bank of the United States, and now refuses to pay them on the ground that the bonds were sealed instruments, and consequently binding on only the Planters' Bank and the United States Bank. The present holders of the bonds view the matter in a different light, and have it is said attached the property of Mr. Alsop in the City of New York and in the State of Connecticut.

It would seem as if the Bank of the United States is to be the cause of trouble to all who have in any way been connected with it. The English stockholders are likely to be the greatest sufferers. As the bank opened an office in London, and had no British charter, the English stockholders are, according to an article in Vethake's edition of Mr. Culloh's Commercial Dictionary, liable in their personal capacity for any debts the agency there may have contracted with British subjects. Thus, the English stockholders, in addition to losing all the capital they invested in the bank, may be made to pay a large portion of the loans negotiated by Mr. Jaudon in England.

Some of the chief authors of these troubles, to-wit, Nicholas Biddle, for many years President of the bank, Thomas Dunlap, his successor in that office, S. Jaudon, and J. Cowperthwaite, formerly Cashiers of the bank, were, on Thursday, January 13th, brought before Recorder Vaux of this city, on a charge preferred against them by Austin Montgomery, of defrauding the stockholders of the bank. The court room was thronged, and at the reading of several of the papers produced in testimony, there were suppressed exclamations of wonder and contempt from the crowd. Most of these papers were believed to refer to expenses incurred at Harrisburg and elsewhere, in procuring a charter for the bank from the State of Pennsylvania.

On Friday, the 14th, the examination was continued, and also on Monday the 17th. At the close of it, the Recorder ordered that "Nicholas Biddle, Thomas Dunlap, John Andrews, Samuel Jaudon, and Joseph Cowperthwaite, each enter into a separate recognizance, with two or more good and sufficient sureties, in the sum of $10,000, for their appearance at the Court of General Ses-

sions for the City and County of Philadelphia, to answer the crime of which they thus stand charged."

BANK FAILURES.

The Lebanon Miami Banking Company, the Farmer's Bank of Canton, the Miami Exporting Company, the Bank of Cincinnati, the Exchange Bank of Cincinnati, the Farmers' Bank of Orleans, New York, and the Suspension Bridge Bank of Upper Canada, are broken. As the circulation of the last mentioned was chiefly in the neighborhood of Buffalo, the principal part of the loss will fall on American citizens.

BANK DEFAULTS.

The first teller of the Commercial Bank of New Orleans, is a defaulter to the amount of $18,000; and the second teller, to the amount of $8,300. Both have been committed to prison. Their sureties are said to be abundantly able to make up the loss.

The Cashier of the Manufacturer's Bank at Pittsburg, has resigned his station, in consequence, it is said, of some financial slip.

The Grand Jury have found a bill against C. F. Blanchard, teller of the Citizens' Bank at Boston, for embezzling 19,000 dollars.

Some of the Western papers say that Mr. W. McK. Ball, once cashier of one of the branches of the Arkansas Real Estate Bank, and who was accused of being a defaulter, has "run his slaves into Texas."

Whitney, the ex-cashier of the Gallipolis Bank, has escaped from prison.

INCIDENTS.

The Secretary of the Hand in Hand, a mutual fire insurance company of this city, has proved a defaulter to a small amount to the company, but to a large amount to his friends. He is of respectable descent, is respectably connected by marriage, and was enjoying a salary of 2500 dollars a year; but he could not resist the temptations to speculation which the times sometimes since held out, and ruin and disgrace are the consequences.

Forgeries of mercantile notes and of checks, are matters of such common occurrence, that we can no longer find room to record them one by one. The business is not confined to men and boys. The women are beginning to engage in it. "A lady in black," at New Orleans, lately succeeded in negotiating several counterfeit drafts.

The commitments to the Philadelphia County prison in the month of December, 1841, amounted to 420, being 180 more than in the month of December, 1840. As the troubles of the times increase, we must look for an increase of crime and vagrancy.

The knowledge of the true principles of money and of credit, ought to be as widely diffused as the knowledge of the multiplication table. This object can never be attained by means of the press alone, for it is impossible to prevail on more than one man in ten to read enough on the subjects of currency and credit, to come to a thorough understanding of them. But let four or five men in each neighborhood be properly indoctrinated, and they will in due time indoctrinate the others, by conversation, by lectures, by debates, and by "stump speeches." All these means must be resorted to.

All the pecuniary sufferings of the inhabitants of the United States, arise from ignorance of political economy on the part of either the people or their rulers. Whoever, therefore, can prevail on his friends and neighbors to engage in the study of this science, renders a service to his country.

A blind feeling of hostility to banks may do much harm. Wherever it exists, we should endeavor to substitute for it, an intelligent view of the evils which paper money banking produces, and of the manner in which they are to be removed. On but few subjects is *precision* of thought more desirable than on those of money and credit.

ACKNOWLEDGEMENTS.

Our thanks are due to the Hon. Messrs. Buchanan, Woodbury and Perry Smith, of the Senate, and to the Hon. J. G. Floyd, of the House of Representatives, for public documents and other papers.

To gentlemen at Warrenton, Mississippi; St. Charles, Missouri; Hackensack and New-Germantown, New-Jersey; and other places, we are indebted for additions to our list of subscribers.

Journals of political economy usually receive but little encouragement: but we have found that in almost every place where some gentleman of influence takes an interest in this publication, some subscribers can be obtained. From distant places about thirteen gentlemen have each sent us the names of four subscribers; twenty-eight have sent us the names of ten each; nine have sent us the names of more than ten and less than seventeen each; four have sent us the names of twenty each; two have sent us twenty-five each; two have sent us the names of between thirty and forty each; one the names of between forty and fifty; and one has sent us the names of fifty. One other gentleman has subscribed to so many copies, on his own account, as to make up the number of fifty. We have now some subscribers in each of the States, and each of the Territories, except Wiskonsan; yet so low is the price asked for the Journal, that it will prove a losing concern to us without a considerable addition to our subscription list. It must be recollected that we derive no income from advertisements. If the friends of sound currency and sound credit in *other* places will exert themselves as gentlemen have in the places from which we have acknowledged the receipts of lists of subscribers, this Journal will be placed on a stable foundation.

BANK RIOT.

A tremendous riot has occurred at Cincinnati. Considerable feverishness has, it seems, existed there for some time in regard to the issues of certain banks. This was increased greatly by the explosion of the Lebanon Miami Bank, by a resolution of the butchers no longer to receive certain kinds of paper, and perhaps not a little by a decision of one of the Courts, that the notes of the unauthorised banks, as they are called, could not be collected by legal process. As the law could afford them no redress, certain parts of the population unhappily resolved to take the matter into their own hands, and avenge, if they could not redress their own wrongs.

On the 10th, the Miami Exporting Company closed its doors; and early on the morning of the 11th, a large crowd assembled in front of the Bank of Cincinnati, to demand in exchange for its paper, not specie, but the notes of less suspicious institutions. The Bank of Cincinnati could not long stand the run, and the officers posted on the door a notice that it "*had suspended for twenty days.*" An effort was made to close the door, but the crowd rushed in, and destroyed books, papers, furniture, every thing.

They then passed to the Miami Bank, "and did unto that even as they did unto the other."

A rush was next made for the Exchange Bank, which had continued to redeem its own paper, but refused to redeem the notes of the West Union Bank, for which it had acted as agent. "It was violently assailed, and soon riddled as completely as the others had been."

The shop of a broker of the name of Lougee, was then broken open, and its contents scattered about and destroyed. His offence was his connection with certain issuers of shinplasters.

The Mechanic's and Trader's Bank was run upon through the day, but as it redeemed all its paper that was presented, it escaped destruction. "A number of brokers, for real or supposed connections heretofore with Shinplaster Manufactories, were threatened but not molested."

From an early hour in the morning till dark, the mob appears to have been triumphant. The riot act was read, but they regarded it not. Some of the oldest and most respectable citizens of Cincinnati addressed them, but their exhortations, whether made to them *en masse*, or individually, were entirely unsuccessful. The military fired, and wounded one man severely, and several slightly, but appear to have been either unwilling or unable to take the measures necessary to disperse the crowd.

This is a dreadful state of things; not, perhaps, such as ought to have been unexpected; but not, therefore, the less to be deplored. Whether the feeling spreads or not, the bare apprehension that it will spread, has a tendency to cause a further depreciation of bank paper, and thus cause the innocent holders of this kind of currency, who have already lost millions by it, to lose millions more.

Besides this, when mob violence begins, who is to say where it will end. The object of the greater part of a mob, may be merely to redress wrongs, which the Judiciary or the Legislature will not or cannot redress. But in every large city there are multitudes of men looking out for plunder. Let the practice be tolerated of breaking open even fraudulent banks, and the next step will be the breaking open of dwelling houses, and the rifling of their contents, not indeed by those who by mob violence attempt to redress public or private wrongs, but by others under cover of their example.

RATES OF EXCHANGE.

At New York, on the 15th of June, bills on London were 8 @ 8¾ prem.; on France, 5.32½ @ 5.30. This shows a slight improvement in the foreign exchanges, produced, perhaps, by contrivances, and not springing naturally out of the course of trade.

Bills on Philadelphia were 5¼ @ 5¾ dis.; on Richmond, 6 @ 6¼; Savannah, 2½ @ 3; Mobile, 15 @ —; N. Orleans, 9½ @ 9¾; Nashville, 15 @ 18; St. Louis, 14 @ 15; Cincinnati, 12 @ 12½. On other places, as in our last.

At Philadelphia, on the 15th, bills on London were quoted at 13¾ @ 14 prem.; France, 5.00 @ 5.05; on Amsterdam, 41½ @ 41¾; on Bremen, 81¼ @ 81½; on Hamburg, 37, showing a slight improvement in the foreign exchanges.

Bills on New York and Boston were 5¼ @ 5¾ prem.; on Mobile, 12½ @ — dis.; on New Orleans, 6 @ — dis.; on Louisville, 5 @ — dis.; on Cincinnati, 14 @ — dis. On other places, as in our last.

PRICES OF PRODUCE.

In the prices of Iron, Tobacco, Rice, and Mess Beef, there have been no variation since our last. In some species of Cotton, there has been a slight fall, but so small as to be hardly perceptible.

Of the other articles which we have been in the custom of quoting, prices were on the 15th as follows:

	At New York.	*At Philadelphia.*
Flour	5.75 @6.00	6.00 @6.12½
Rye Flour	— @4.00	4.12½@4.37½
Corn Meal	3.00 @3.12½	2.87½@3.12½
Wheat	1.20 @1.23	1.26 @1.30
Rye	.72 @0.75	0.75 @0.80
Corn	0.59 @0.62½	0.49 @0.56
Oats	0.40 @0.52	0.41 @0.42
Lead	0. 4 @0.00	0. 4¾@0. 4⅝
Wool, Am. Merino	0.34 @0.36	0.38 @0.40
Native	0.18 @0.22	0.30 @0.32
Rye Whiskey	0.18½@0.20	— @0.21
Mess Pork	8.75@10.00	8.50 @9.50
Hams	0. 8½@0. 8¾	0. 5 @0. 7
Lard	0. 5 @0. 7½	0. 5¾@0. 8
Cheese	0. 7 @0. 8	0. 7½@0. 8½

PRICES OF BANK NOTES.

According to the "New York Shipping and Commercial List," of Saturday, January 15th, there had been an increase in the discount of the notes of most of the banks in the interior of the State of New York, as compared with prices on the 1st of January. They are quoted generally at — @ 1½ dis.

The discount on the notes of most of the country banks of Pennsylvania had increased from 4 to 6 @ 8 per cent.: and that on North Carolina notes from 5 to 6 per cent.

A fluctuation of but one or two per cent. in a paper currency, in the period of two weeks, is quite moderate: but in the notes of the banks of some of the States, there has been a fall of more than 10 per cent. Louisiana notes were quoted at New York, January 1st, at — @ 10 dis; Jan. 15th, at 10 a 25 dis.; Alabama, Jan 1, — @ 12 dis.; Jan. 15th, 20 @ 25 dis; Illinois, Jan. 1, 12 @ 15 dis.; Jan. 15, 20 @ 25 dis.

At Philadelphia, on the 15th of January, according to "the Commercial List," the premium on New York, New England, and East Jersey notes was 4½ @ 5½ per cent., being ½ per cent less than on the 1st of January. The discount on West Virginia notes was 8 per cent.; being 1 more than on the 1st of Jan. On Alabama notes 15 per cent., being 8 more than on the 1st of Jan. On Louisiana notes 10 @ 15 dis., being 5 @ 10 more than on the first of Jan. On Illinois, 15 @ — dis., being 7 more than on the 1st of January.

Thus we begin the year, with a fall of from 5 to 15 per ct., in a fortnight, in the value of the notes of the banks of several of the States.

In the prices of the notes of other banks, there has been no material variation. For their rates, the reader is respectfully referred to the table in our last.

SPECIE.

Patriot doubloons are quoted at New York at 15.75 to 15.90. Mexican dollars at ⅛ @ ⅜ prem. These are but very slight variations from the prices given in our last: and in other denominations of coins there has been no variation whatever.

CHAPTER III.

Of Continental Money.

According to an estimate by the Register of the Treasury, in 1790, the issues of continental money were as follows, viz.:

	Old Emission. Dolls.	90ths.	New Emission. Dolls.	90ths.
In 1776	20,064,464	66		
1777	56,426,333	1		
1778	66,965,269	34		
1779	149,703,856	77		
1780	82,908,320	47	891,836	80
1781	11,408,095	00	1,179,249	00
	$357,476,541	45	$2,070,485	80*

The first emission was dated May 10, 1775, but the notes were not actually in circulation till the August following.†

Till the issues exceeded nine millions, the bills, according to the concurrent testimony of Mr. Jefferson and Mr. Paine, passed at their nominal value. The depreciation afterwards was very great. The rate of exchange for hard money at Philadelphia, from January, 1777, to May, 1781, was as follows, according to a table taken from the merchants' books, and published by Mr. Pelatiah Webster.

1777.	January,	$1\frac{1}{4}$	1779.	April,	$12\frac{1}{2}$, 14, 16, 22
	February,	$1\frac{1}{2}$		May,	22, 24
	March,	2		June,	22, 20, 18
	April,	$2\frac{1}{2}$		July,	18, 19, 20
	May,	$2\frac{1}{2}$		August,	20
	June,	$2\frac{1}{2}$		September,	20, 28
	July,	3		October,	30
	August,	3		November,	32, 45
	September,	3		December,	45, 38
	October,	3	1780.	January,	40, 45
	November,	3		February,	45, 55
	December,	4		March,	60, 65
1778.	January,	4		April,	60
	February,	5		May,	60
	March,	5		June,	60
	April,	6		July,	60, 65
	May,	5		August,	65, 75
	June,	4		September,	75
	July,	4		October,	75, 80
	August,	5		November,	80, 100
	September,	5		December,	100
	October,	5	1781.	January,	100
	November,	6		February,	100, 120
	December,	6		March,	120, 135
1779.	January,	7, 8, 9		April,	135, 200
	February,	10		May,	200, 500
	March,	10, 11			

On the 31st of May, 1781, the continental bills ceased to circulate as money, but they were afterwards bought on speculation at various prices, from four hundred for one, up to one thousand for one.

The value of continental paper was not the same in different parts of the country. The exchange was, for example, December 25th, 1779, at thirty-five for one in New-England, New-York, the Carolinas, and Georgia; and at forty for one in Pennsylvania, New-Jersey, Delaware, Maryland, and Virginia.

An account taken from the books of merchants in Virginia, shows that the depreciation there regularly followed that in Philadelphia, though, towards the close, it sometimes lagged a month or more behind. Thus, when exchange was in Philadelphia at one hundred for one, in January, 1781, it was in Virginia at seventy-five for one: and in April, when exchange in Philadelphia was at one hundred and thirty-five for one, it was in Virginia at one hundred for one.

As late as May, 1781, speculations were entered into at Philadelphia, to purchase continental money at two hundred and twenty-five for one, and sell it at Boston at seventy-five for one.

It is worthy of remark that "the depreciation of continental money never stopped the circulation of it. As long as it retained any value at all it passed quick enough: and would purchase hard money or any thing else, as readily as ever, when the exchange was 200 for 1, and when every hope, or even idea, of its being ultimately redeemed at nominal value had entirely vanished."‡

The facility of raising ways and means, in the early part of the war, by issues of paper, led to much extravagance in the commissary department, and prevented the establishment of a sound system of finance. It is said that when a proposition was before Congress to establish a regular revenue system, one member exclaimed, "Do you think, gentlemen, that I will consent to load my constituents with taxes, when we can send to our printer, and get a wagon load of money, one quire of which will pay for the whole!"§

Our ancestors were lavish of their blood, in defence of their rights. If it was through a wish to save their treasure that they resorted to paper-money, they did not succeed in their object. As a mode of raising revenue, it might be compared to a tax, the expenses of collecting which were many times as great as the sum brought into the treasury. The benefit the government derived from it, was in no way commensurate with the burden it imposed on the people. Most of the loss fell on the Whigs, as it was in their hands the paper depreciated. The Tories, who had from the beginning no confidence in it, made it a rule to part with it as soon as possible.

* See the American Almanac for 1830.

† Most of the facts in this chapter have been derived from a series of essays by Pelatiah Webster, a merchant of Philadelphia, and an uncle of Noah Webster, the grammarian.—They were published at different intervals, from 1776 to 1780, in pamphlet form, and collected into a volume, with notes, in 1790.

‡ P. W.

§ Ib.

This continental money was, in its true character, a simple evidence of debt due by the government: and may, as such, in the first stage of its operation, be compared to the *forced loans* which the potentates of Europe have at times extracted from their subjects. As a *forced currency*, it may be compared to the base coin which the same potentates have issued in other seasons of difficulty. The resort to it can be justified (if it can be justified at all) only on the plea of state necessity —a plea so easily made that it ought never to be admitted without close examination.

It is difficult to believe that a people so devoted to liberty as were the Americans of that day, would have been backward in their contributions for the necessary expenses of war, if they had not been taught by some of their leading men that taxation was quite unnecessary, and that paper-money would supply every financial want. "What a shame it is," said a patriotic old lady, "that Congress should let the poor soldiers suffer, when they have power to make just as much money as they choose."

The best, if not the only excuse, for the policy which was adopted is, perhaps, to be found in the opinion then prevalent, that money was something which derived its value from the authority of government. In no other way can we apologise for the acts which imposed severe penalties on those who refused to exchange their merchandize for paper, and which in some instances even outlawed the supposed offender.

When the continental money was first issued, an expression of doubt as to its value, involved suspicion of disaffection to the cause of the country. As the issues increased, the prices of goods necessarily rose; but this was attributed to combinations of the merchants to raise the price of their merchandize, and to sink the value of continental money. They were called Tories, speculators, and many other hard names; and their stores were forcibly broken open, and their goods sold at limited prices by committees of the neighbors.*

"The fatal error," says Mr. Webster, "that the credit and currency of continental money could be kept up and supported by acts of compulsion, entered so deep into the minds of Congress, and all departments of administration through the States, that no consideratton of justice, religion, or policy, or even experience of its utter inefficiency, could eradicate it: it seemed to be a kind of obstinate delirium, totally deaf to every argument drawn from justice and right, from its natural tendency and mischief, from common justice, and even from common sense.

"Congress began, as early as January 11th, 1776, to hold up and recommend this *maxim of maniaism*, when continental money was but five months old. Congress then resolved that 'whoever should refuse to receive in payment continental bills, should be declared and treated as an enemy of his country, and be precluded from intercourse with its inhabitants,' i. e. should be *outlawed:* which is the severest penalty (except of life and limb,) known to our laws.

"This ruinous principle was continued in practice for five successive years, and appeared in all shapes and forms, i. e. in *tender acts*, in *limitation of prices*, in *awful and threatening declarations*, in *penal laws*, with dreadful and ruinous punishments, and in every other way that could be devised, and all executed with a relentless severity by the highest authorities then in being, viz. by Congress, by assemblies and conventions of the States, and by *committees of inspection*, (whose powers in those days were nearly sovereign,) and even by military force: and though men of all descriptions stood trembling before this monster of force, without daring to lift a hand against it during all this period, yet its unrestrained energy always proved ineffectual to its purposes, but in every case increased the evils it was designed to remedy, and destroyed the benefits it was intended to promote: at best its utmost effect was like that of water sprinkled on a blacksmith's forge, which, indeed, deadens the flame for a moment, but never fails to increase the heat and flame of the internal fire. *Many thousand families* of full and easy fortune, were ruined by these fatal measures, and *lie in ruins* to this day, (1790) without the least benefit to the country, or to the great and noble cause in which we were then engaged."

After this account of the nature of the system, the reader will readily believe Mr. Webster, when he says, in an essay published in March, 1780, "frauds, cheats, and gross dishonesty are introduced, and a thousand idle ways of living are attempted in the room of honest industry, economy and diligence, which have heretofore enriched and blessed this country."

In various parts of his essays, he adverts to the sufferings of the people from the necessary incidents of the war. The price of foreign commodities was increased many per cent. There was "an extreme scarcity and

*P. W. Note to Essay of July, 1779.

want of some necessary articles; for example, much meat was spoiled and lost for want of salt to preserve it: and many trades and manufactures were either wholly stopped or greatly diminished for want of materials.—Another hardship very sensibly felt was the force which was used with all descriptions of men in seizing their goods, wagons, stock, grain, cattle, timber, and every thing else which was wanted for the public service.—To these may be added the captures, the ravages, and depredations, the burnings and plunders of the enemy, which were very terrible and expensive. They had possession, first or last, in the course of the war, of eleven of the capitals of the thirteen States, pervaded the country in every part, and left dreadful tracks of their marches behind: burning in cool blood, a great number not only of houses, barns, mills, &c., but also of most capital towns and villages." Yet these evils were not as great in the judgment of Mr. Webster, (and he was an eye-witness and a participator of these sufferings,) as those which were caused by continental money and the consequent irregularities of the financial system. "We have suffered more from this cause," he says, "than from *every other* cause of calamity: it has killed more men, pervaded and corrupted the choicest interests of our country more, and done more injustice than even the arms and artifices of our enemies."*

"While we rejoice in the riches and strength of our country, we have reason to lament with tears of the deepest regret, the *most pernicious shifts of property* which the irregularities of our finances introduced, and the many thousands of fortunes which were ruined by it; the generous, patriotic spirits, suffered the injury: the idle and avaricious derived benefit from said confusion."†

Certain compulsory measures of the Executive Council of Pennsylvania, designed to support the credit of continental money and of the State bills, gave the fatal blow to the system, in May, 1781. Mr. Webster gives a minute account of the proceedings; but we deem it unnecessary to transcribe them, for, as he justly observes, "they will appear to a stranger as intricate and as hard to understand as the prices of stocks in Change Alley." We doubt not, however, "that they were perfectly understood by people of all ranks at that time, inasmuch as every variation of the exchange altered the value of all their cash on hand."

* P. W. Essay of Jan. 8th, 1780.
† Note to Essay of Feb. 20th, 1780.

"Thus," he exclaims, after having narrated the proceedings of the Executive Council, and their important effects, "thus fell, ended and died, the continental currency, aged six years. Bubbles of another sort, such as the Mississippi scheme, in France, and the South Sea in England, lasted but a few months, and then burst into nothing: but this held out much longer and seemed to retain a vigorous constitution to its last: for its circulation was never more brisk than when its exchange was 500 to one; and yet it expired without a groan or struggle; and I believe of all things which ever suffered dissolution since life was first given to the creation, this mighty monster died the least lamented.

"If it saved the State, it has also polluted the equity of our laws; turned them into engines of oppression and wrong; corrupted the justice of our public administration; destroyed the fortunes of thousands of those who had the most confidence in it; enervated the trade, husbandry and manufactures of our country, and gone far to destroy the morality of our people."

Many who are yet living can attest the truth of this statement.

CHAPTER IV.

Of the Bank of North America.

It is a common opinion that the Bank of North America rendered essential service during our revolutionary struggle—that without it, the achievement of independence would have been difficult, if not impossible. Assertions to this effect have been made with so much confidence, that we once believed them to be well-founded; but on examination we find—

First. That the capture of Cornwallis, which is described by historians as the closing scene of the revolutionary war, took place on the 19th of October, 1781, and that the bank did not go into operation till January 7th, 1782.

Secondly. That the whole amount of expenditures of the United States government in the year 1782, was only three million six hundred thousand dollars; and in 1783, only three million two hundred thousand dollars. Large loans were negotiated in Europe in these years: "and such a conviction of the necessities of public supplies generally took place through the States, that considerable

sums were obtained by a tax on polls and real estates."*

Thirdly. The whole amount subscribed by individuals to the bank did not, as appears from the concurrent testimony of Mr. Robert Morris and Mr. Governeur Morris, exceed 70,000 dollars.

Fourthly. From statements made by Mr. Robert Morris, in public debate, in the Legislature of Pennsylvania, in the year 1786, it appears that the advances made by the bank to the government, above the amount of silver money actually paid in by the government, never did exceed 165,000 dollars, and for a part of the time did not amount to 50,000 dollars.†

The reader, on duly considering these facts, will probably be convinced that the services rendered by the Bank of North America, during our revolutionary struggle, have been grossly exaggerated.

From the beginning of the year 1780, till the close of the war, hard money was very plenty. This "was occasioned by large sums, by various means, coming from the English army at New-York, and spreading through the States: also by large sums remitted by France to their army and navy here; also by large importations of hard money from the Havana and other places abroad: so that hard money was never more plenty nor more easily collected than at that time." In a note to an essay of later date, Mr. Webster says, "the States were really overrun with abundance of cash: the French and English armies, our foreign loans, Havana trade, &c., had filled the country with money."

"It has been asked," says Lord Sheffield, "what has become of the money which we have sent during the war to America? Some has come back—a considerable part is the circulating cash within our lines. Many British subjects in New-York have very large sums in their possession. The Dutch and Germans, whose number is not inconsiderable, have hoarded up—and it is believed considerable sums are concealed.

"France sent (not included in the debt) above six hundred thousand pounds sterling in specie to America, being obliged to send cash."‡

The operations of the war caused such a drain of specie from Europe, that the Bank of England was brought into jeopardy, and the *Caisse d'Escompte* at Paris actually suspended payment in 1783; and such a flux of specie into the United States, that, as Mr. Webster observes, "hard money was never more plenty or more easily collected."

Such being the state of the money market, it is difficult to believe that the government might not, if the bank had not been established, have obtained a loan of fifty thousand to one hundred and sixty-five thousand dollars from some other source. It does not appear that the bank ever made advances to the government, except on the best security. For at least eighty thousand dollars of the amount, the state of Pennsylvania was guarantee.—For the residue of the amount, the government might have pledged the proceeds of the taxes, or bills on Europe: and on the same security, it is probable, individuals would have made the advances, especially as money was so abundant, and the news of peace confidently expected.

The truth is, that the project of establishing a bank in Philadelphia had been conceived by Mr. Robert Morris, before the commencement of the war, as appears from his own declaration:§ and he had entered into negotiations in Europe with a view to effect this object. But a project for a bank about the year 1763, had been vigorously opposed on the ground that it would give a few men undue advantages in trade: and it is probable that Mr. Robert Morris's scheme would have encountered spirited opposition, if it had not been brought forward as a *fiscal* measure, and at a time when neither the legislature nor the people could give it the consideration which it deserved.

He submitted his plan to Congress in May, 1781, and on the 26th of the same month it was approved by that body. "Yet," he says, "until the month of September or October following, there were not more subscriptions in the whole, than amounted to about 70,000 dollars. During the time, one of His most Christian Majesty's frigates arrived at Boston, and brought a remittance in specie, of about 470,000 dollars. The sum was

* P. W.

† From the statements of Mr. Robert Morris, the accounts of the government with the bank were as follows:

		Cr.	Dr.	
April 2d,	1782	$252,918	300,000	47,082
July	1782	252,918	400,000	147,082
October,	1782	253,394	400,000	146,606
January,	1783	53,394	100,000	46,606
April,	1783	53,394	100,000	46,606
July,	1783		129,800	129,800
October,	1783		164,781	164,781

January 1st, 1784, the debt was discharged.

The last column shows the amount in which the government was in debt to the bank, at the different periods mentioned.

‡ Observations on the Commerce of the American States. June 21st, 1783.

§ See Carey's "Debates and Proceedings of the General Assembly of Pennsylvania, on the memorials praying a repeal or suspension of the law annulling the charter of the bank." Phila. 1786.

brought to Philadelphia and deposited in the vaults of the bank. I determined from the moment of its arrival, to subscribe on behalf of the United States, for those shares in the bank which remained vacant: but such was the amount of the public expenditures, that notwithstanding the utmost care and caution to keep this money, nearly one-half of the sum was exhausted before the institution could be organized. In November, 1781, the president and directors of the bank were elected: they obtained a charter of incorporation from Congress—and opened the bank for transacting business in January, 1782. I subscribed the sum then remaining in the treasury, being about 254,000 dollars, into the bank stock, per account of the United States, which became thereby the principal stockholder."*

As is remarked by Mr. Gouverneur Morris, the sum subscribed by Government may be said to have been paid in with one hand, and borrowed with the other; leaving the bank but seventy thousand dollars at most for its proper operations. On this amount it undertook to make advances to the government and to individuals; but as the experience of the evils of continental money was fresh in the minds of the people, some difficulty was encountered in giving currency to the notes of the bank. To remove this "prejudice," the gentlemen who were interested in the institution were, as we have learned from undoubted private authority, in the practice of requesting people from the country and laboring men about town, to go to the bank and get silver in exchange for notes. When they went on this errand of neighborly kindness, as *they* thought it, they found a display of silver on the counter, and men employed in raising boxes containing silver, or supposed to contain silver, from the cellar into the banking room, or lowering them from the banking room into the cellar. By contrivances like these, the bank obtained the reputation of possessing immense wealth; but its hollowness was several times nearly made apparent, especially on one occasion, when one of the copartners withdrew a deposit of some five or six thousand dollars, when the whole specie stock of the bank did not probably exceed twenty thousand.

By these means, and by the assistance of the United States Government, the notes of the bank became current: and so profitable was the business that the early dividends were at the rate of from 12 to 16 per cent. per annum. This naturally created a desire in others to share in so very lucrative a trade. A project was therefore formed for establishing a second bank, to be called the Bank of Pennsylvania. This, they who were interested in the Bank of North America strenuously opposed, fearing the effect of a rival institution in Philadelphia. To prevent its being established, they opened their books for additional subscriptions; but not without murmuring loudly at the hardship of receiving new partners.†

* It may be made a question, whether the *whole* of the original capital of the bank was not advanced by government. Thomas Paine says, in one of his tracts, "it is well known that the bank originated in another bank, called the Bank of Pennsylvania, which was formed in the Spring of 1780. On the 17th of June, it was resolved to open a security subscription to the amount of 300,000 pounds, Pennsylvania currency, in real money; the subscribers to *execute bonds* for the amount of their subscription, and to form a bank for supplying the army." He afterwards speaks of some of *these subscriptions* being transferred to the Bank of North America.

From the journals of Congress it appears that the Board of Treasury was directed to deposit in this Pennsylvania Bond Bank, "bills of exchange, in favor of the directors thereof on the Ministers of the United States in Europe, or any of them, and in such sums as shall be thought convenient, but not to exceed in the whole £150,000 sterling."

Were the seventy thousand dollars, which were subscribed by individuals to the bank of North America paid in bonds or in money? Was a part of the four hundred and seventy thousand dollars received by the French frigate, used in redeeming some of these bonds: and was it in this way subscriptions were transferred from the old Bond Bank to the Bank of North America: or were the seventy thousand dollars paid in by individuals without any trafficking with Government? These questions are, perhaps, rather curious than useful: but our knowledge of the contrivances for forming bank stock in our own day, makes us desire to see an explanation of the seventy thousand dollars' subscription by individuals.

† The following is an extract from a pamphlet, published in 1785, entitled an "Address to the General Assembly of Pennsylvania, on the abolition of the Bank Charter."

"After the peace, when the advantages of the bank had been felt, and the property of the stock had become secure, an opposition was raised by some of the same persons who are now the opposers, but on grounds somewhat different.—For then, instead of considering the bank as pernicious, it was considered to be so highly beneficial that they must needs have two. They did indeed complain of the old Bank. But for what? Not because the capital was so large as to threaten general ruin; but because the directors would not open a subscription to make it larger. And what was the modest request of that day? Why, truly, such an extension of the capital as might enable those who had waited for events in perfect ease and safety, to enjoy the same advantages with those who had borne the burden, and run the risk of the contest. It was, indeed, a hard case that many worthy gentlemen, who would not have given a shilling to save the State, should be obliged to pay either $500 for a share in a bank which had cost but $400, or to lend their money on bond and mortgage to the farmers of Pennsylvania. A very hard case: and so loudly did they complain of it, that at last many sensible members of Assembly were prevailed on to believe it would be a good thing to have two banks. Two shops to go to—for that was the fashionable phrase. And they were the more easily led into this opinion, because it was laid down by some in high stations, for whose sentiments they had acquired an habitual respect.

"The consequence of the noise made at the time, must be well remembered. The Assembly were plagued with long arguments on both sides, which might have been spared, and then, all at once, the thing was hushed up and accommodated. Because, such of the promoters of the new bank as had money, found out their new friends had none. Because they all found out the scheme did not promise so much either of security or profit, as was imagined. And because they had not too much confidence in each other, being (like Nebuchadnezzar's image) composed of discordant materials. They agreed, therefore, to abandon their project, on certain conditions acceded to by the old bank; one of which was to extend the subscription, and this it is which has converted all the surplus money of the State into bank stock. For otherwise, let the price of a share have risen ever so high, nay, had it gone to 4,000 instead of 400 dollars, not one penny would have been added to the bank capital. But in proportion as stock rose, the dividends would have been less valuable.

"It is notorious, that if the directors had not been under compulsion, they would not have extended the subscriptions

In the year 1784, the bank did a very extensive business; and by the beginning of 1785, the effects of its operations began to be very apparent. They are such as banking has always produced—a temporary plentifulness of money, followed by great scarcity, usury, ruin to the many, riches to the few. These effects were ably set forth in petitions to the Assembly, from the inhabitants of Philadelphia, and of the counties of Chester and Bucks, presented on the 21st and 23d of March, praying for a repeal of the charter of the bank. These petitions were referred to a committee, who, in a report of the 25th of the same month, fully sustained the allegations of the petitioners, and recommended a repeal of the charter. This recommendation was carried into effect, at the *ensuing* session, on the 13th of September, 1785.

Thus we find that the first bank established in this country produced so much evil, that its charter was taken from it in less than four years after it had commenced operations.

The bank, however, claiming the right of prosecuting its business under the act of Congress, continued its operations, though on a more moderate scale. In 1786, an attempt was made by its friends to obtain a renewal of the charter from the State of Pennsylvania, but it was successfully opposed by William Findlay, of Westmoreland, Mr. Smilie, of the same county, and other leading democrats. It is difficult, however, for the people long to withstand the efforts of a powerful moneyed interest: and it being pleaded with some show of reason, that the forms of the constitution had not been properly regarded in taking away the charter, and many persons fearing a return of the old paper-money system, the bank was reincorporated on the 17th of March, 1787, with limited powers, and for fourteen years. By successive acts of the Legislature, it has been continued in existence to the present day.*

CHAPTER V.

Of the Old Bank of the United States.

"Let the Americans," said Wm. Pitt, "adopt their funding system, and go into their banking institutions, and their boasted independence will be a mere phantom."

No small number of Americans were of a similar opinion: but it was contended by others, that if the revolutionary debt were not funded, injustice would be done to the public creditors. Out of this funding system sprung the old Bank of the United States, for three-fourths of its capital consisted of public stocks. The bank, its friends averred, was necessary to support public credit, and to aid the fiscal operations of the federal government. Its opponents contended that it was anti-republican in its tendency, and that the constitution gave Congress no power to establish such an institution.

The period immediately succeeding the revolutionary war, was, in a peculiar sense, an age of speculation. Trafficking in soldiers' certificates, in the public lands, and in the various evidences of the public debt, was the business of many who had money, and of many who had not. Perhaps the fortunes some thereby acquired, may have excited envy, and thus increased an opposition to the system which had its origin with some in political, and with others, in moral reasons. Be this as it may, the Bank of the United States was regarded as the capstone of a policy which was viewed as very objectionable: and the democratic journals of the day abounded in what one of our most respectable authors calls "abuse of the banking and funding system."

Mr. Jefferson's opposition to banks was of the most decided character. In his preface to Destutt Tracy's Political Economy, he denounced them as parasitical institutions; and he seldom let slip an opportunity of expressing his abhorrence of their whole scheme of operations. His objections to the Bank of the United States on constitutional grounds were as strong as his objections to all paper-money establishments on economic principles. In opposing the incorporation of this bank he said, "I consider the foundation of the constitution as laid on this ground, that 'all powers not delegated to the United States by the constitution, nor prohibited by it to the States, are reserved to the States or the people.' To take a single step beyond the boundaries thus specially drawn around the power of Congress, is to take possession of a boundless field of power, no longer susceptible of definition. The incorporation of a bank, and other powers assumed by this bill, have not, in my opinion, been delegated to the United States by the constitution." After showing that the powers were not among those specially enumerated, nor in any of the general phrases, he added, "It is known that the very power now proposed as *a means*, was rejected as *an end* by the convention which formed the constitution: a proposition was made to them to authorize Congress to open canals, and an

beyond the first 400,000 dollars. It is notorious that any addition to the number of shares lessens the value of each."

* For further particulars respecting the early history of the Bank of North America, see Appendix.

emendatory one to empower them to incorporate; but the whole was rejected, and one of the reasons urged in the debate was, that then they would have power to create a bank, which would render the great cities, where there were prejudices or jealousies on this subject, adverse to the reception of the constitution."

The bank was not established by a strict party vote, for eleven out of thirty-nine who voted for it were democrats, and six out of twenty who opposed it were federalists; but it afterwards became, as Mr. Niles says, one of the landmarks of party. In the second Congress, in which there were more democrats than in the first, a resolution, declaring the bank charter unconstitutional, was within one vote of passing the House.

The hostility of the democratic party to the bank, was but little abated for many years; but as the time approached for the expiration of the charter, enmity to the institution gave way, in a great degree, to fear of the distress which the winding up of its affairs would produce. The pens of numerous scribes were employed in portraying the manifold evils which must come upon the country, and deputations of merchants and mechanics were sent from Philadelphia to Washington, to beg Congress to avert the impending danger.*

The predictions that were so confidently made of the ruin that would overspread the land, if the charter were not renewed, had their intended effect on some of the democratic members. But after a full discussion, the bill was indefinitely postponed on the 24th of January, 1811, in the House of Representatives by a majority of one, the vote being sixty-five to sixty-four. The National Intelligencer said, on recording the vote, that if the question had not been on the indefinite postponement, but on the passage of the bill, the majority would have been much greater.

Another bill was brought before the Senate; but, on the 20th of February, the first section was struck out by the casting vote of the vice-president, George Clinton.

The Senate gave this vote, which was equivalent to a rejection of the bill, only *eleven* days before the charter expired. The bank made application in this interval for such an extension of its charter as would enable it to wind up its concerns. But the committee of the House, to whom the memorial was referred, reported, through their chairman, Mr. Henry Clay, "that, holding the opinion, (as a majority of the committee do,) that the constitution did not authorize Congress originally to grant the charter, it follows as a necessary consequence of that opinion, that an extension of it, even under the restrictions contemplated by the stockholders, is equally repugnant to the constitution."†

Trustees were then appointed, and they proceeded so rapidly in winding up the concerns of the bank, that on the 1st of June, 1812, they paid over to the shareholders 70 per cent. of the capital stock, and 18 per cent. more on the 1st of October.‡

* See the public papers of the day.

Of the feeling with which a portion of the community regarded the prospect of a non-renewal of the bank charter, an opinion may be formed from the following extract from a pamphlet, by Mr. M. Carey, entitled "Desultory Reflections upon the Ruinous Consequences of a Non-Renewal of the Charter of the Bank of the United States," published in May, 1810.

"In the history of nations, as well as of individuals, there are to be found occasional moments of *frenzy*, in which every movement baffles the calculations of the politician, the moralist, and the philosopher. To the distractions and derangements of our affairs with the European world we are, with almost incredible folly, preparing, by allowing the charter of the Bank of the United States to expire, to add an *awful* scene of internal disorder and confusion, of private and public bankruptcy. I have gone over my calculations anew; sifted the facts on which my opinions are founded; turned them in every possible point of view, to discover errors if any there were. But the result of every examination has been an invariable conviction of the reality of the danger, the momentary frenzy of too many of my fellow citizens, and the awful consequences of the prevailing apathy, if it should continue."

By the next session of Congress, Mr. Carey's fears were in no degree abated, as will be seen by the following extract from another pamphlet, published December 15th, 1810, and entitled "Nine Letters to Dr. Adam Seybert, Representative in Congress for the City of Philadelphia."

"Never have I addressed my fellow-citizens with more solicitude than I feel at present. The question at issue, respecting the renewal of the charter of the Bank of the United States, in its consequences upon the character of the country, and upon the prosperity and happiness of a large portion of its most valuable citizens, I conceive to be of more importance than any one that has been agitated for twenty years." He then intimates to members of Congress from parts of the country remote from the operations of banking, that they are liable to be bewildered and led astray; to be instrumental in dashing the barque of public credit upon rocks and quicksands, and producing *an awful scene of destruction, the consequences or terminations of which elude the power of calculation.* At such a crisis, it behooves every man whose experience in any degree qualifies him to shed light upon the subject, to step boldly forward, and use his endeavors to preserve so many vital interests as are at stake from the destruction which menaces them. In such a cause, indifference and guilt would perhaps be synonymous. Influenced by these motives, and unalterably convinced of the reality of the impending ruin, I resolved, at the risk of the abuse, the calumny, the malignity, and the persecution, to which every man is liable, who, on such occasions, takes an active part, to raise my feeble voice in defence of a good cause. I fully resolved that, come the calamity when it might, I should be able to wash my hands from any participation in the guilt, even by neutrality."

† Legislative History of the United States Bank.

‡ Mr. Raguet, in his Examiner for October 1, 1834, gives the following statement of the amount paid to the stockholders, since the expiration of the charter.

1812,	June 1,	70 per cent.	
"	Oct. 1,	18 "	
1813,	April 1,	7 "	
1815,	April 3,	5 "	
			100
1817,	April 7,	4 per cent.	
1820,	April 24,	1¾ "	
1823,	May 9,	2¼ "	
1830,	May 1,	½ "	
1834,	Sept. 3,	½ "	
			9
			109

Mr. Raguet observes, that though the nominal amount of

This was a rapid collection of the debts due to the institution, inasmuch as it enabled the trustees to pay 88 per cent. of the capital stock in about a year and a half: but it did not produce the universal ruin with which the country had been threatened. "Many persons," said Dr. Seybert, writing in 1816, "viewed a dissolution of the late Bank of the United States as a national calamity: it was asserted that a general bankruptcy must follow that event. The fact was otherwise; every branch of industry continued uninterrupted—no failures in the mercantile community were attributable to that occurrence."§

CHAPTER VI.

Of Banking from 1790 *to* 1810–11.

In Vol. III, of the American edition of the Edinburgh Cyclopedia, published in 1813, the following table is given, "to exhibit in one view the names of the banks most deserving of notice, the time of their institution, and the amount of their capital." The table is not complete, but it shows the time in which the banking system was introduced into the different States.

Names.	Instituted.	Capital.
Bank of North America, Pa.,	1781–2	$2,000,000
Massachusetts Bank at Boston,	1784	1,600,000
Bank of New-York,	1784	950,000
Bank of Maryland,	1790	300,000
Providence Bank, R. I.,	1791	400,000
Bank of Albany, N. Y.,	1792	260,000
Bank of South Carolina,	1792	640,000
Union Bank of Boston, Mass.,	1792	1,200,000
New-Hampshire Bank,	1792	100,000
Bank of Alexandria, Va.,	1792	500,000
Hartford Bank, Conn.,	1792	930,000
Union Bank, New-London, Conn.,	1792	500,000
New-Haven Bank, Conn.,	1792	400,000
Bank of Columbia, N. Y.,	1793	160,000
Bank of Columbia, D. C.,	1793	500,000
Bank of Pennsylvania,	1793	3,000,000
Bank of Nantucket, Mass.,	1795	100,000
Bank of Delaware,	1795	110,000
Bank of Baltimore, Md.,	1795	1,200,000
Middletown Bank, Conn.,	1795	400,000
Bank of Rhode Island,	1795	100,000
Norwich Bank, Conn.	1796	200,000
Manhattan Bank, N. Y.,	1799	2,000,000
Portland Bank, Me.,	1799	300,000
Essex Bank, Salem, Mass.,	1799	300,000
Washington Bank, Westerly, R. I.,	1800	50,000
Bank of Bristol, R. I.,	1800	120,000
Exchange Bank, Providence, R. I.	1801	400,000
Farmers' Bank, Lansingburgh, N. Y.,	1801	75,000
State Bank of South Carolina,	1801	800,000
Maine Bank, Portland, Me.,	1802	300,000
New-Hampshire Union Bank,	1802	$200,000
Lin and Ken Bank, Wiscasset, Me.,	1802	200,000
Kentucky Insurance Company,	1802	150,000
Merchants' Bank, N. Y.,	1803	1,250,000
Bedford Bank, at N. Bedford, Mass.,	1803	150,000
New-York State Bank,	1803	460,000
Newburyport Bank, Mass.,	1803	550,000
Saco Bank, Mass.,	1803	100,000
Albany Mercantile Company, N. Y.,	1803	25,000
Plymouth Bank, Mass.,	1803	100,000
Boston Bank, Mass,	1803	1,800,000
Strafford Bank, at Dover, N. H.,	1803	150,000
Philadelphia Bank, Pa.,	1803	2,000,000
Miami Exporting Company, Cincinnati, O.,	1803	200,000
Salem Bank, Mass.,	1803	200,000
Roger Williams' Bank, R. I.,	1803	150,000
Newport Bank, R. I,	1803	120,000
Warren Bank, R. I.,	1803	68,000
Exeter Bank, N. H.,	——	200,000
Union Bank of Maryland,	1804	3,000,000
Bank of Cape Fear, N. C.,	1804	350,000
Bank of Newbern, N. C.,	1804	300,000
Newark Banking and Ins. Comp., N. J.,	1804	225,000
Trenton Bank, N. J.,	1804	300,000
Hallowell and Augusta Bank, Me.,	1804	200,000
Worcester Bank, Mass.,	1804	150,000
Nantucket Pacific Bank, Mass.,	1804	100,000
Marblehead Bank, Mass.,	1804	100,000
Rhode Island Union Bank.,	1804	150,000
Smithfield Union Bank, R. I.,	1805	50,000
Narraganset Bank, R. I.,	1805	60,000
Rhode Island Central Bank,	1805	60,000
Bank of Virginia, Va.,	1805	1,500,000
Mechanics' Bank, Baltimore, Md.,	1806	1,000,000
Bank of Chilicothe, O.,	1806	100,000
Bridgeport Bank, Conn.,	1806	200,000
Derby Bank, Conn.,	1806	200,000
Bank of Kentucky,	1807	1,000,000
Bank of Nashville, Tenn.,	1807	500,000
Bank of Marietta, Ohio,	1807	100,000
Farmers' Bank of the State of Delaware,	1807	500,000
New Brunswick Bank, N. J.,	1807	150,000
Farmers' and Mechanics' Bank, Pa.,	1807	1,250,000
Hagerstown Bank, Md.,	1807	250,000
Mohawk Bank, N. Y.,	1807	200,000
New-London Bank, Conn.,	1807	200,000
Hudson Bank, N. Y.,	1808	300,000
Bank of Steubenville, Ohio,	1809	100,000
Chambersburgh Bank, Pa.,	1809	250,000
Commercial Bank, R. I.,	1809	50,000
State Bank of North Carolina,	1810	1,600,000
Commercial and Farmers' Bk. of Balt., Md.,	1810	1,000,000
Farmers' and Merchants' Bk. of Balt., Md.,	1810	500,000
Franklin Bank, Do.	1810	600,000
Marine Bank, Do.	1810	600,000
Elkton Bank, Md.,	1810	300,000
Farmers' Bank of Lancaster, Pa.,	1810	300,000
Mechanics' Bank, N. Y.,	1810	2,000,000
Bank of Troy, N. Y.,	1811	500,000
Mechanics' and Farmers' Bank, N. Y.,	1811	600,000
State Bank at Boston, Mass.,	1811	3,000,000
Merchants' Bank at Salem, Mass.,	1811	200,000
Cumberland Bank of Alleghany, Md.,	1811	200,000
Bank of Newburgh, N. Y.,	1811	400,000
Farmers' Bank of Wor. and Som., Md.,	1811	200,000
Middle District Bank, N. Y.,	1811	500,000
Bank of New-Orleans, Lou.,	1811	500,000
Union Bank, N. Y.,	1811	1,800,000
Eagle Bank, Conn.,	1811	750,000
Bank of America, N. Y.,	1812	6,000,000
City Bank, N. Y.,	1812	2,000,000
Farmers' and Mechanics' Bk. of Cinn., O.,	1812	500,000
Bank of Muskingum, Zanesville, O.,	1812	100,000
Monongahela Bank, O.,	1812	250,000
New-York Manufacturing Co., N. Y.,	1812	1,200,000
Camden State Bank, N. J.,	1812	800,000
Trenton Do. Do.,	1812	300,000
New-Brunswick Do. Do.,	1812	400,000
Newark Do. Do.,	1812	400,000
Elizabeth Do. Do.,	1812	200,000
Morris Do. Do.,	1812	200,000
Utica Bank, N. Y.,	1812	1,000,000
Pittsburgh Manufacturing Co., Pa.,	1812	1,000,000
City Bank of Baltimore, Md.,	1812	1,500,000
Bk. of Wilmington and Brandywine, Del.,	1812	120,000
Farmers' and Mechanics' Bk. of Delaware,	1812	75,000
Commercial Bank of Delaware,	1812	200,000
Farmers' and Mechanics' Bk. of Virginia,	1812	1,500,000
Savannah Bank, Georgia,	——	1,000,000
Union Bank, South Carolina,	——	1,000,000
Planters' and Mechanics' Bank, S. C.,	——	1,000,000
	Total,	$77,258,000

capital has been refunded to the stockholders, and nine per cent. besides, yet the payments were made at such protracted periods, that a nice calculation of interest, semi-annually computed, would show that the stockholders did not receive a sum more than equal to 97 per cent., paid on the day the charter expired. Some years before the expiration of the charter, the stock sold at 156.

§Statistics, p. 522.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, February 2, 1842. No. 16.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the index, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

USURY.

In a recent debate on the usury laws in the Senate of Ohio, Mr. Leonard said that "he had been a borrower for the last twenty years, and during the last fifteen years scarce a day had elapsed without his being indebted to the banks. He had paid all sorts of interest, up to five dollars a day for the use of six hundred, and had found from experience that it was better to borrow money at home at ten per cent., than go to a bank and get it at six per cent. A moment's reflection will convince any Senator of this. The expense of travelling to a bank, renewing the note, &c. &c., will make more than the difference of interest."

Mr. Leonard, it seems, has paid interest sometimes at the rate of *three hundred per cent. per annum!*

His observation that it is better for the farmer to borrow money at home at ten per cent., than to borrow from a bank at six per cent., is well deserving of attention. Few reflect properly on the *indirect expenses* of borrowing from banks: and still fewer on the great advantages that would have resulted to the country, if three-fourths of the capital used in sustaining banks, had been lent to farmers, mechanics, and merchants, on bond and mortgage, or other adequate security.

EVIDENCES OF PUBLIC DEBT.

In some of the papers, too great importance appears to be attached to the different *forms* which evidences of the public debt may assume. Treasury notes of large amounts, and bearing the market rate of interest, differ less from Certificates of Stock than many imagine. The former may be compared to the promissory notes given by farmers and mechanics, having but a year to run; the latter, to the bonds and mortgages given by the same individuals, and not redeemable for a term of years. The chief difference between them is, that Treasury notes are at all times receivable in payment of dues to Government, while Certificates of Stock are not.

If Treasury notes are exchanged for bank notes or bank deposits, they produce as injurious effects on banking operations, as are produced by direct loans of bank credit to government, represented by stock certificates. But *some* persons having claims on Government, will be willing to receive Treasury notes in satisfaction of such claims; and just to this extent do we separate Bank and State when we resort to this method of borrowing.

UNITED STATES CREDIT.

If the credit of the United States Government should sink as low as that of some of the States, the most deplorable consequences would ensue.—Perhaps the Union would be dissolved: perhaps the country would be inundated afresh with continental money.

To raise the credit of the Federal Government, a *retrenchment* of expenditures is absolutely necessary. Having parted with its lands, it has now no source of revenue but the customs; and these will yield but a limited amount. Increasing the duties on most articles, instead of increasing, would diminish the revenue: for, as justly observed by Adam Smith, "in the arithmetic of the customs, two and two do not always make four." Increasing the rates of duties too much, will diminish regular importations, and encourage smuggling, and thus diminish the revenue.

In the present state of the country, the people would not submit to an excise or a direct tax, to supply the wants of the United States Government. They find the taxes they have to pay for State, County, City, and Township purposes, quite oppressive.

Since, then, the Federal Government has no source of revenue but in the Customs, and these can be made to yield only a limited amount, the duty of commencing the work of retrenchment is imperative. Without it, it will not be easy long even to borrow such small sums as will be requisite to keep the wheels of Government in motion. According to some estimates we have seen, the revenue of Government during the present year,

will be about ten millions, and the expenditures about thirty millions. What private individual could hope long to maintain his credit, if his regular expenditure exceeded in this ratio his regular income?

The expenditures of the Federal Government have unfortunately been adapted to a scale of "surplus revenue," and it will be very difficult to reduce them as low as they ought to be reduced. But if the work is commenced *in earnest*, it may be effected. The chief *leak holes* will be found in the Navy, War, and Indian Departments. It is through these the public money *runs out*, as they afford the best opportunities for *political jobbing*. When these leak holes are *stopped*, the credit of Government may be re-established.

EXCHANGES.

At Columbus, Ohio, as well as at Columbus, Georgia, the practice has been introduced of making *specie* the basis in quoting the rates of exchange. At the former place, bills of exchange on New York are at three per cent. premium in silver coin; but as American gold of the new coinage bears there a premium of two per cent. in silver, exchange on New York, if paid for in gold, is at a premium of only *one* per cent. If the local currency of Columbus were made the standard, exchange on New York would *appear* to be at 13½ per cent. prémium, for 10½ is the rate of discount of the notes of the Columbus banks when purchased with silver coin.

This practice of making specie the basis in quoting rates of exchange and prices of bank notes ought to be generally adopted. Show the people the *true* rates of exchange, and you put an end to the clamor for an *Exchange Regulator* to be established by Government.

POLITICAL ECONOMY.

Of the little disposition our countrymen have for a *systematic* study of this important science, we have evidence in the fact that but *one* edition of Adam Smith's work has ever been published in the United States. Think of that. A nation of three million "white men" requiring but one edition of Adam Smith's work, in half a century!

Of Say's Treatise, many editions have been issued; but this is chiefly owing to its having been adopted as a text book in the colleges, and of a study of it being requisite to enable young men to take their degrees.

Our countrymen are so eager in the pursuit of wealth, that they have not leisure to study the laws which regulate its production and distribution. Hence the reason that so many of their schemes for growing rich fail in their very inception. Hence the reason that we have so much legislation about subjects on which we should have no legislation at all, if the few and simple *natural* laws which regulate the production and distribution of wealth were properly understood by the people and their representatives.

"THE ANTI-BANK DEMOCRAT."

We have received the first number of a periodical bearing this title, published at Poughkeepsie, N. Y., and conducted by "An Association of Democrats of Dutchess County." It is in octavo form, double column, 16 pages in each number, and is to be issued once a month. Subscription price, 75 cents per annum.

The articles it contains are sound in *principle:* but we can express no opinion on those passages in which certain politicians, in the State of New York, are accused of acting inconsistently with their professed principles, because we know nothing of those gentlemen, or of their conduct. If those accusations are well founded, we have only to say that certain politicians in New York are very much like certain others in Pennsylvania. Nothing is more common than for men, before they are elected to office, to profess great abhorrence of paper money corporations, and after they are in office use these corporations to strengthen their own power, and increase their own riches.

Every man who professes Democracy, or Republicanism in *any form*, appears to us to act inconsistently with his professed principles, if he supports the present system of banking. It is of little moment that such a Democrat, or such a Republican, is opposed to an ecclesiastical aristocracy. It is impossible to establish such an aristocracy in a country like ours, where the people are divided into various sects, several of which are nearly equal to each other in number and influence. Such an aristocracy, moreover, suits not the genius of the times. It is with difficulty it sustains itself in England.

Of equally little moment is it, if such Democrat, or such Republican, is opposed to an order of military nobility. It is impossible to establish such an order in a country where every man knows the use of fire arms, and all are aware of the evils of military government.

Of equally little moment is it, if such Democrat, or such Republican, is opposed to a landed aristocracy. It is impossible to have a landed aristocracy in a country so extensive as ours, and where the laboring classes are not bound to certain estates as in Russia.

Such Democrats, or *such* Republicans, as are opposed to only such *forms* of aristocracy as cannot possibly exist in the United States, are hardly worthy of the name. If they support our present banking system, they support a *paper money aristocracy*, the only kind of aristocracy that can possibly exist in the United States, and one, in our humble opinion, in no respect preferable to the different orders of aristocracy that prevail in Europe.

CHINESE PAPER MONEY.

From Remusat's "Nonveaux Melanges Asiatiques."

During the spring of the year 1236, a grand assembly of princes was held in China. The emperor, the celebrated Tschingis Chan, took at the banquet a cup of wine, and offering it to Thsu-

Thsai, said to him—"O wise minister, without whose aid China would not be in our power, this very day a proposal has been made to me to create paper money." "At the time of Tschang-Zung," rejoined Thsu-Thsai, "paper commenced to be circulated in concurrence with coin. A minister lived then who gained much wealth by means of the paper money; on which account he retained the nick name of the *Paper Lord*. Matters were carried to such a length that *ten thousand notes* of paper money would scarce buy a cake. The people suffered severely, and the State itself was ruined. We ought to keep this instance before our eyes; and if paper money is to be coined now, no more than the amount of 100,000 ounces of silver should be put in circulation."

INTRINSIC VALUE.

It is an old remark that no errors of opinion are so hard of correction as those that relate to the currency; and we sometimes almost despair of ever seeing them corrected. It is true, indeed, that the operations of banks in the present day make even those *feel* who cannot *reason*. But not a few of those who feel sensibly the effects of the present system, and have *the power* to reason, will not make a proper use of that power.

Thus, a gentleman of much thought and reading on other subjects, told us, not long since, that gold and silver had *no intrinsic* value, inasmuch as they could not be eat or drunk, and as bank paper also had no intrinsic value, one would serve the purposes of money as well as the other.

If nothing but what can be eat or drunk possesses intrinsic value, houses and lands must be struck out of the inventory of wealth. So, also, must clothes and furniture, wagons and ships, and indeed every thing except the contents of the pantry and the provision cellar.

Gold and silver coins have *an intrinsic* value, or a value *inherent* in the very *materials* of which they are composed. Convert your coin into bullion, and you will find that it will bring as much, or nearly as much in the market, as before you put it into the melting pot. There is great demand for gold and silver in the useful and ornamental arts, and to this, chiefly, they owe their value in commerce.

Bank notes have no *intrinsic* value. There is no value, or at least none worth speaking of, *inherent* in the materials of which they are composed. They may be of equal value *in the market* with gold and silver, but even then their value is entirely *adscititious*, being dependant on *an opinion* that those who have issued them, have the disposition and the ability to give in exchange for these notes gold and silver, or something else possessing *inherent* value.

Counterfeit notes, till their true character is discovered, have as much value in the market as genuine notes, or even as gold and silver—but their value is entirely *supposititious*.

Those who can form distinct ideas of value as *inherent* in some subject, as *attached* to it from its connection with some other subject, and *as erroneously* supposed to be attached to it, will never confound *intrinsic* value with *adscititious*, or the latter with *supposititious*. They will consequently be as far from confounding metallic money with paper, as they will be from confounding genuine notes with spurious.

PAPER MONEY AND SPECIE.

Money performs *two* functions. The first is that of a *measure of value;* the second is that of a *circulating medium*. It is from not properly distinguishing between them, that many men, in other respects of good sense, are altogether in the dark in relation to the difference between paper money and metallic.

At any given time, and at any given place, paper money may as a MERE *circulating medium*, serve the same purposes as gold and silver. This is true, whether the paper is on a par with specie, or greatly depreciated, with only this difference, that, in the latter case, a greater *nominal* amount will be required to effect an equal number of exchanges. Suppose it to be depreciated fifty per cent. Even then *ten* paper dollars will serve the same purposes as a local *commercial medium* as *five* silver dollars.

Now, if all our enterprises were begun and ended on the same day, and if no one town or township had any trading intercourse with any other, this paper would perform the other function of money, namely, that of a *measure of value*, just as well as gold and silver. It would, at least, with the exception of cases like that of the Girard Bank, the notes of which were, at nine o'clock on Wednesday morning, on a par with other Philadelphia currency, and by eleven o'clock at 20 per cent. discount.

But it is impossible for us to begin and end our enterprises on the same day. It requires months for the farmer to plough the ground, to sow his seed, to reap his crop, and to bring it to market. So, also, does it require months for the manufacturer to spin his wool, to weave it, and to dress

his cloth. Between the time of commencing and concluding these enterprises, such variations take place in our paper measures of value, that both farmers and manufacturers are not unfrequently ruined.

So in the purchase of real estate. It is always estimated at the time of purchase by the quantity of notes in circulation; and most purchases seem to be made when the banks are in a high state of inflation. But before the time for the second, third, or fourth payment arrives, there is a contraction of currency, and the purchaser is ruined.

This is not the only disadvantage that arises from the use of paper money. The inhabitants of the different parts of the United States must carry on a commercial intercourse with one another, and they have no *common* measure of value by which to adjust their transactions. Every merely *local* currency, necessarily has more or less of a *merely* local value.

If our bushels, our yard sticks, and our pound weights varied from day to day, from month to month, and from year to year, and were never the same in any two places at the same time, greater confusion in dealings could hardly be produced than is caused by paper money as a measure of value.

Now, this function of a measure of value, which paper money cannot *adequately* perform, gold and silver money will.

The cost of producing gold and silver, and the variations of the supply and demand, vary so little, that for all *practical* purposes, they may be regarded as of *fixed* value. Hence their admirable adaptation for measuring the value of other things.*

With gold and silver money we should have measures of value which would be the same when we commence our enterprises, and when we bring them to a conclusion. We should also have the same measures of value all over the country.

Till we adopt gold and silver as our *exclusive* measures of value, (we do not say our exclusive commercial medium,) we shall have nothing but confusion in trade, and injustice in dealings.

* For the reasons in detail which should cause a preference to be given to gold and silver as measures of value, the reader is respectfully referred to the chapter on "Real Money," in the second number of this Journal.

LAWS OF CURRENCY.

One of the laws of currency (not a law established by Congress or by any State Legislature, but a *natural* law,) is, that a medium of less value will always displace that of greater value. Thus it was found impossible in England to make sovereigns circulate concurrently with one pound notes; and in Pennsylvania, to make silver dollars circulate concurrently with dollar notes. In England the one pound notes displaced the sovereigns; and in Pennsylvania, the dollar notes displaced the dollars.

Another law of currency is, that if paper money be driven out of use, metallic money will take its place. Thus in England, no sooner was the issue of one pound notes prohibited, than sovereigns began to circulate. And in Pennsylvania, in 1828, when the circulation of small notes was prohibited, specie flowed in, in abundance.

The two cities of Philadelphia and Baltimore afford at the present moment striking illustrations of these laws of currency.

When the banks suspended specie payments in October, 1839, the Baltimore and Ohio Rail Road Company, and other institutions, and some private individuals, began to issue notes for the fractional parts of a dollar, and the citizens of Baltimore consented to receive them. The consequence is, that in Baltimore, small silver change is a scarcity. The small notes have driven it out of circulation.

In Philadelphia, on the contrary, the laws against the issue of notes for the fractional parts of a dollar, were rigidly enforced; and as a consequence, enough silver change has been retained in circulation to serve the purposes of retail trade. This has been done, although the discount on the notes of the Philadelphia banks has exceeded that on the notes of the banks of Baltimore.

Such facts as these, ought to convince even those who cannot *reason*, and are incapable of undertanding *principles*. Here are two cities, not a hundred miles apart. One has a trash currency of notes for 12½ cents, and even 6¼ cents. The other has a sound silver currency for all transactions of a less amount than one dollar. And the cause of the difference in the currencies of the two cities, is to be found in what has just been stated.

To have an *adequate* supply of *real* money, nothing more is requisite than to create a demand for it. And to create a demand for it, nothing more is requisite than to drive paper money out of circulation.

The law of currency, by which paper money displaces specie, is pleasantly illustrated by Thomas Moore, in one of his "Odes on Cash, Corn, and Catholics." We subjoin it, hoping the principle will be more deeply impressed, if it is enforced at the same time in both prose and verse. The "Parson Van," mentioned by the poet, it may not be amiss to observe, is Mr. Vansittart, once Chancellor of the British Exchequer. The "Palais Royal" is a large building in Paris, part of the patrimonial estate of the present king of France. Some of the rooms in it are, or were, let out to brokers, and others to gamblers.

DIALOGUE BETWEEN A SOVEREIGN AND A ONE POUND NOTE.

'*O ego non felix, quam tu fugis, ut pavet acres Agna lupos, capreæ que leones.*"—HORACE.

Said a Sovereign to a Note,
In the pocket of my coat,
When they met in a neat purse of leather,
"How happens it, I prithee,
"That though I'm wedded with thee,
"Fair Pound, we can never live together.

"Like your sex, fond of *change*,
"With Silver you can range,
"And of lots of young six-pences be mother;
"While with *me*—upon my word,
"Not my Lady or my Lord
"Of W—st—th see so little of each other!"

The indignant Note replied,
(Lying crumpled by his side,)
"Shame, shame, it is yourself that roam, Sir—
"One cannot look askance,
"But, whip! you're off to France,
"Leaving nothing but old rags at home, Sir.

"Your scampering began
"From the moment Parson Van,
"Poor man, made us *one* in Love's fetter;
"'For better or for worse'
"Is the usual marriage curse,
"But ours is *all* worse, and *no* better.

"In vain are laws passed,
"There's nothing holds you fast,
"Tho' you know, sweet Sovereign, I adore you;—
"At the smallest hint in life
"You forsake your lawful wife,
"As *other* Sovereigns did before you.

"I flirt with Silver, true,
"But what can ladies do,
"When disowned by their natural protectors?
"And as to falsehood, stuff!
I shall soon be false enough,
"When I get among those wicked Bank Directors."

The Sovereign smiling on her
Now swore upon his honor
To be henceforth domestic and loyal:
But, within an hour or two,
I sold him to a Jew,
And he's now at No. 10, Palais Royal.

THE BANKRUPT ACT.

Though the banks are specially exempted from all the pains and penalties of the bankrupt act, its indirect operation on them may be attended with consequences of great importance.

After banks have suspended specie payments, their notes still possess a value in the market, if the debtors to the bank are solvent; and more especially if bank notes are receivable in payment of public dues. So powerful in Great Britain was the operation of these two causes combined, that for some time after the suspension of specie payments by the Bank of England, its notes actually remained on a par with specie. Specie could not be got in exchange for them from the bank, and yet specie in large amounts could be obtained for them from merchants and brokers, without paying any premium.

Inconvertible paper is not received in payment of dues to the United States, but it is received in payment of dues to the State, City, and County Governments. To this it owes no small part of its value. But its value may be said to be *founded* on the demand for it on the part of the debtors to the banks.

Another cause of the value of inconvertible paper, is to be found in the general want of a circulating medium of some kind. And, as where there are two kinds of circulating medium, that which is of the least value always displaces the other, the demand for inconvertible paper, provided it be not so much depreciated as no longer to serve as a currency, is just as intense as the demand for real money for immediate uses. No man, under such circumstances, takes the pains to inquire into the solvency of the banks that issue the paper. The only point that he deems worthy of consideration, is, *whether he can pass it away to some one else.*

The foundation, however, of the value of inconvertible paper, may, as has already been stated, be said to rest on the demand for it to pay bank debts. Let all the debtors to the banks become unable or unwilling to pay, and their notes will become worthless. Let only one-fourth of them become insolvent, and the notes of the banks may sink many per cent. A very small excess of such paper sometimes causes a great fall in its value.

We are speaking in general terms. Besides debts due to it from individuals, a bank may have stocks and other assets. It may, by a pledge, or a sale of these stocks, or other property, raise the means of keeping up the credit of its circulating paper. Or, all its capital being gone, it may, by carefully concealing the fact, raise money by post notes. By such contrivances the Bank of the United States appears to have sustained the credit of its circulation for several years. The Commercial Bank of New York obtained the means of settling its balances with other banks by selling its own notes to the brokers at a discount. Bankrupt banks may, also, like bankrupt individuals, sustain their credit for a time by a system of drawing and re-drawing.

All these modes of sustaining bank credit, seem now, however, to be nearly exhausted. What amount can the banks raise by the pledge or sale

of stocks? Who will lend them money on their post notes? And in the general distrust which is now entertained of paper money institutions, must not most of the expedients by which they have in ordinary times sustained their credit, prove no longer available?

In this state of things the bankrupt act begins to operate, and though it was not intended that such should be its effect, it will undoubtedly sweep off the assets of not a few of the banks. Many men who have been struggling hard for years to pay the interest of bank debts, will take advantage of this act to get rid of both principal and interest. The demand, then, for bank notes wherewith to pay bank debts, will be considerably diminished, and the value of the bank notes will fall accordingly. After they have undergone a certain degree of depreciation, they will cease to be receivable in payment of dues to the State, City, and County Governments. Then the demand for them as a circulating medium ceases; and the only value they will have, will be such as will be founded on the prospect of their ultimate redemption—such value as have at present the notes of the United States Bank, and of other once flourishing institutions.

Now, it is impossible to say how many banks will be affected by the causes herein set forth. Some may sustain the first shock, and expire one, two, or three years afterwards, from the effects of the blow. Instances frequently occur, where the paper of a particular bank, is, in one week, on a par with silver, and in the next at fifty per cent. discount. May there not be many such cases before twelve months more shall elapse?

Let it not be supposed that every bank debtor who *appears* to be solvent, is actually so. It is said that if the names of some of those who are preparing to take advantage of the bankrupt act, should be publicly proclaimed, such consternation would be felt on 'Change, as might for a time put an end to all credit transactions.

Neither let it be supposed that all bank debtors who *think* themselves solvent, will prove to be so, three months or six months after the bankrupt act shall have been in operation. The said act will sweep away an immense mass of debts due to individuals as well as to banks, and thus incapacitate another numerous class of bank debtors from complying with their engagements.

It is the opinion of some sagacious men that the bankrupt act will be just as effective in winding up the banks, as it could be if they were directly included in its provisions.

What, it may be asked, with such a prospect before us, should be done with our immense mass of inconvertible paper?

The best use that we can think of, is that *of paying old debts* with it. Let it pass round in this way, as rapidly as possible. In time of panic a single ten dollar note has been traced through ten hands in one day. With our one or two hundred millions of inconvertible paper, (including rail road orders, "shinplasters," &c., &c.,) we may, in the course of the next few months, discharge an immense amount of outstanding obligations, many of which, if not paid in this way, will never be paid at all.

BANKING IN OLD TIMES.

There are those who think, or seem to think, that paper money banking produces pernicious consequences, only because Nicholas Biddle, or men of his character, have the management of banking institutions. If such persons will candidly read the history of banking, from 1790 to 1811, they will find that long before these men were in the field of action, the system produced evils the same in character, though not in degree, that it does now. They will find this history in the latter part of the present number, pages 249—252.

The history of the Farmers' Exchange Bank of Gloucester, Rhode Island, will be found particularly edifying. It is hardly to be matched by the story of the Brandon Bank, or that of any other institution of modern days. On a bona fide capital of only three thousand dollars, the bank sustained itself for five years, issued notes to an amount which cannot be ascertained: and had, when the "blow up" took place, a circulation of nearly $600,000.

Andrew Dexter, the great man of the Farmers' Exchange Bank, and whom so many modern financiers appear to have taken for their model, died a few years since at Mobile, in, we believe, humble, if not indigent circumstances.

Many other incidents in the chapter here referred to, will be found interesting, and in reading them, we beg the reader to recollect that they all occurred when we had a great "NATIONAL REGULATOR OF EXCHANGES AND CURRENCY," and that one the wisdom of whose management has never been called in question. In this period the *old* Bank of the United States was in operation.

FINANCIERING.

We respectfully call the attention of Members of Congress to the last two pages of the present number, pages 255 and 256. They will there find that, through a resort to *financiering expedients* similar in character to some they now have before them, the credit of Government was utterly exhausted in less than three years, and after borrowing in the regular way, only forty-five million dollars. The history of *past* times may be turned to great advantage in the *present* times.

A SPECIAL EMBASSY.

Lord Ashburton is about to sail from England to this country, as a special Embassador, ostensibly to settle the various points in dispute between Great Britain and the United States; but, in reality, as is believed, to see what can be done towards securing the vast sums which British capitalists have invested in American securities. Little good can result from this mission. The money which British capitalists sent to this country, has been *sunk* in useless works, and foolish speculations.—As an old and experienced banker, Lord Ashburton ought to have known the uncertainty of every thing in a paper money country, and not have trusted his own money and that of his friends in the hands of "the financiers" of the Western continent.

BANK FAILURES.

The Farmers' and Mechanics Bank of Rochester, N. Y., the Chesapeake Bank of Baltimore, and the Girard Bank of Philadelphia, are broken.

The first mentioned of these is one of "the free banks" of New York. The second is one of eleven banks that were incorporated by the Legislature of Maryland in the December session of 1835. The third, and most important of the three, is a bank that was formed in this city, after the decease of Stephen Girard. It took his name, rented his old banking house, and its ostensible object was especially to "accommodate" his old customers.

At first it professed to discount nothing but business paper: but there were some "bold financiers" connected with it, who soon extended its operations to other things. It became united with the United States Government: and was one of the original "pet banks." "The surplus revenue" afforded the managers abundant materials for the display of their financial abilities. Money, it is said, was lent in large amounts, to the Directors and others, wherewith to speculate in western stocks and western lands. It was, in short, a *land jobbing* and *stock jobbing*, and not a *commercial* bank.

The fate that has befallen it, would, in the natural order of things, have befallen it long ago: but for the principle adopted by our stronger banks of not issuing their own paper, but of trading on that of other institutions. They continued to receive the notes of the Girard on deposit, and to pay them out at their counter, though the knowing ones were well aware of the internal rottenness of the institution. The stock, however, fell rapidly; and some of the brokers began to enter into engagements to deliver the notes ninety days hence, at a discount of five per cent.

Suddenly, on Wednesday morning, the Northern Liberties Bank "threw out" the notes of the Girard, that is, refused to receive them any longer on deposit. One after another of the other banks imitated this example. In due time, the news spread among the holders of the notes; and they assembled in crowds at the Girard Bank, demanding redemption of the paper, not in specie, but in the notes of less suspicious institutions. The officers of the Bank gave other paper in return for their five dollar notes, but candidly confessed their inability to give any that would circulate in exchange for their notes of larger denominations.

Thus in a few hours did "the best currency in the world" cease to be currency at all, not through a panic seizing the people, but simply through a panic seizing the officers of the Northern Liberties Bank. There appears to have been no concert of action on the part of the banks on this occasion——no predetermination among them generally to discredit the issues of the Girard. Indeed, we believe, that after seeing the effect this action produced, they repented of it, but their repentance came two hours too late.

THE PENNSYLVANIA BANK.

In our judgment, this institution should be classed with the broken banks; but a gentleman of no small eminence in the bank circles, seemed quite indignant when we told him so: and, we shall, therefore, in hopes of satisfying him and others of his way of thinking, give this bank a small chapter "all to itself."

It is the oldest bank in Pennsylvania, with the exception of the Bank of North America. Its capital is 2,500,000 dollars, and it is the fiscal agent of the State of Pennsylvania. From this bank, the holders of State stocks were expecting to receive their interest due on the 1st of February, amounting to 800,000 or 900,000 dollars.

On Saturday morning, January 29th, the other banks refused to receive its notes on deposit. This increased the run upon it. Through the whole of the day, the pressure of the crowd was very great: but it paid all demands made on it, till 3 o'clock in the afternoon.

On Monday morning, notice was given that the bank would be closed for the present, as an injunction was about to be served on it at the instance of the Governor. In the course of the morning, an injunction was duly served.

Our readers can now judge for themselves, whether the Bank of Pennsylvania is broken or not. It still owes 300,000 dollars to private depositors, and 300,000 to holders of its notes, besides what it owes to public creditors. The other banks refuse to receive its paper, and its doors have been closed by public authority.

The Directors, it is understood, made no objection to the serving of the injunction. Perhaps they suggested it.

The gentleman who was unwilling that this should be classed with the broken banks, maintained that it had been considerably relieved by the run on Saturday; inasmuch as it had paid off great part of its note holders and depositors, in the *trash currency* received in payment of the public revenue. We must, however, regard every bank as broken, that cannot pay promptly all just demands upon it. Whether its officers close its doors of their own inclination, or whether they are closed by public authority, is of little moment.

BANK DEFAULTS.

"Gouge's Journal of Banking, in a general notice of late bank defalcations, connects the name of Jesse Carothers, Esq., with a direliction of this kind. It is proper to state that Mr. Carother's recent retirement from the Merchants' and Manufacturers' Bank was not caused by any such circumstance. He wished to enter into other business, and resigned his place. So far from being a defaulter, the bank was in his debt upon settlement."—*Pittsburg Mercury.*

We did not *literally* connect Mr. Carother's *name* with bank defaults, for we did not mention it: but we did what may perhaps be substantially considered as the same thing, for we spoke of "the cashier of the Manufacturer's Bank of Pittsburg having resigned his station, in consequence, *it is said*, of some financial slip." In so doing, we copied the language of some of the daily papers of this city. We are necessarily dependant on them, and on papers in other parts of the country, for items of intelligence of this character.

It affords us great pleasure to learn from the Mercury that Mr. C. resigned his place merely because he wished to enter into other business. Both the Manufacturer and the Mercury bear testimony as to the ability with which Mr. C. managed the bank.

Frederick E. Whiting, Esq., late cashier of the Gallipolis Bank, and who has escaped from prison in Ohio, is described by the Sheriff of Gallia county, as "about five feet eight inches high, very talkative, fair complexion, sandy hair, red whiskers, high eyes, a chubby, good looking financier." The Alexandria Index understands that a man answering to this description has been arrested, and is now lodged in Fairfax county jail, Va.

BANK RIOT.

The riot, mentioned in our last, as having occurred at Cincinnati, was followed by one on the next day at Louisville. Mr. Lougee, who had rendered himself obnoxious by his connection with the "shinplaster" business, had an establishment at Louisville. The mob entered that, and destroyed books and papers. The "valuables" had previously been removed by the Cashier.

PHILADELPHIA.

We have had "as pretty a little panic" in this city, as any lover of the paper money system could desire. As what was "*money*" on one day was not "money" on the day following——nay, as what was "money" in one hour, was not "money" in the next, the question with each man was what he should do with his "money." The *over-conscientious* used it in paying their debts, a movement to which they were, perhaps, prompted, in part, by the consideration that in the course of a short time their "money" might no longer serve that purpose. Those who had no debts to pay, lent their "money" to their friends. The alarm, of course, spread into the country, and the country dealers for miles round hastened to the city, to get rid of their "money."

Then there was "a run" on the banks. Not a run for "specie," for none was visible. But, what seems ludicrous, a run to exchange one bit of paper for another bit of paper. The banks, however, with the exception of the Girard and the Pennsylvania, all stood this run bravely. At one time it was reported that the Camden had given way. This occasioned no small alarm among those mechanics who had been saving the notes of this institution to pay their journeymen at the end of the week, just as the Bank of Pennsylvania had been saving 300,000 dollars in Girard notes to pay the dividends on the State stock. On Monday the run was confined to the Penn Township and Moyamensing Banks; and the wags say, (we know not with what truth,) that the Moyamensing met the run by paying out the notes of the Penn Township, and the Penn Township by paying out the notes of the Moyamensing.

Business was, in a great degree suspended.—And yet we have heard of but one failure of any moment, that of Alexander Benson & Co., Stock brokers and Exchange merchants. A few months ago, their assets exceeded their liabilities in a quarter of a million.

Delegates from the banks have had meetings, and made arrangements, and hereafter we are to have "a most excellent currency." Each bank is to issue its own notes exclusively, of the denominations of $20 and upwards: and each is to make prompt settlements with the others, paying balances in specie, or "in *commercial* bills, not having more than 45 days to run." A safety fund is, moreover, to be formed; to which each of the large banks is to contribute $100,000; and each of the small, $50,000. The contributions are to be specie, treasury notes, "or equally satisfactory security."

Thus, our "money" for wholesale transactions, is to consist of paper, not representing coin, but of paper representing *debts*, not arrived at maturity. For small transactions, our "money" is to consist of State bills of credit, and the notes of the suspended country banks. Part of the agreement is, however, that the banks shall resume specie payments on the 1st of August.

The United States, the Pennsylvania, the Girard, and the Schuylkill Banks, are excluded from this arrangement.

INCIDENTS.

The two boys of the name of Pitcher, who committed extensive forgeries on the house of Eyre & Massey of this city, have been arrested in England, and compelled to disgorge their ill-gotten gains.

A broker of the name of Metford, in Wall street, N. Y., has been committing forgeries of mercantile notes. He has confessed his guilt.

About 355 persons, owing debts to the amount about *one million* dollars, have applied for the benefit of the insolvent laws at the present session of the Court of Common Pleas for the County of Philadelphia. This is, we are told, about the average amount of debt *liquidated* by our insolvent laws four times a year. Philadelphia city and county contain about *one sixty-eighth* part of the population of the Union. If insolvencies in other parts of the country bear a like proportion to population, the amount of debt discharged in this way must amount in a year to upwards of *two hundred and seventy million dollars.*

PENNSYLVANIA.

As the funds of the State were in the Bank of Pennsylvania, the semi-annual dividend, due on the 1st of February, could not be paid.

BANK NOTES.

So great was the confusion, that the Commercial List of Saturday, omitted its usual tables of the price of bank notes and specie, and the rates of exchange. On Monday, Bank of Pennsylvania notes were at a discount of from 15 to 20 per cent. for specie; Girard, 25 to 30; United States, 50. Our "currency" was at a discount of 10 per cent. for specie, though exchange on New York was offered at 7½.

In the N. Y. Price Current of Saturday, we observe no material variation from the rates given in our last, except that Pennsylvania and West Jersey notes are quoted at — a 10 disc.; and the notes of most of the Ohio banks at — a 20 disc.

☞We have some acknowledgements to make, but are obliged to defer them to our next.

☞The history of banking from 1790 to 1811, begun in our last, is continued on the next page.

The operations of Banks from 1790 to 1811, were much like their operations in our own days. Thus Mr. Burwell, of Virginia, in a speech delivered in 1811, said, "In Baltimore, where the bank capital has always exceeded the demand by solvent customers, and where, to give full employment to their funds, the banks have been accustomed to accommodate mere speculators, failures have happened to the amount of a million, without property to pay the creditors twenty cents in the dollar. (A gentleman from Maryland corrected Mr. Burwell, by stating that the failures had in the aggregate exceeded the sum he had mentioned, but in no single instance had the loss to creditors exceeded 600,000 dollars.) "I stand corrected," continued Mr. Burwell, "only 600,000 dollars."*

It was in New-England, however, that Banking operations were carried farthest.—The author of a pamphlet entitled "Remarks on Money," published at Philadelphia in 1814, says, some of the institutions in that quarter issued bills for so small a sum as twenty-five cents, whereby "it was rendered so difficult in some of the Eastern States, to get a dollar changed, that it became necessary to purchase change of the money dealers in towns for current travelling expenses in the country."

Of the principles of operation of some of these institutions, we have a curious memorial in a report made on the 20th of March, 1809, by a committee of the legislature of Rhode Island, appointed to inquire into the situation of the Farmers' Exchange Bank of Gloucester.

The committee state, "that the said bank was incorporated, February, A. D., 1804.—That by the charter, its capital stock was to consist of two thousand shares of fifty dollars each, payable in seven instalments, in gold or silver. It appears to the committee that the capital stock was not paid in according to the provisions of the charter. Some of the stockholders paid the whole amount of the shares by them subscribed; others paid a part and gave their notes for the residue. The directors did not pay any money whatever, for although, in common with the other stockholders, the directors lodged the amount of their first instalment in specie, yet, in a very few days afterwards, all the directors received out of the bank the amount of said instalments in bills of said bank, for which no security whatever was given, and they gave five notes, without endorsers, for the five first instalments, payable on demand, with interest: for the two last instalments, no payment was made or security given. The said notes remained in the bank until the directors transferred their stock, when they were delivered up in the manner hereinafter mentioned. The directors were the holders of one hundred and three shares each, and in this manner did the Farmers' Exchange Bank, which by the charter was to consist of two thousand shares, commence its operations with only six hundred and sixty-one shares, on which any payments had been made in gold and silver, agreeably to the express provisions of the charter: and the whole money paid into the bank at any one period whatever, on the said six hundred and sixty-one shares, amounted to nineteen thousand one hundred and forty-one dollars and eighty-six cents.

"Prior to the twenty-ninth of March, 1808, sundry stockholders, holding four hundred and fifty shares, transferred them to the directors of said bank. No money or other consideration whatever was paid by the directors with their own property to any of the stockholders who so transferred their shares, but they were uniformly paid for with the property of the corporation. Most of the said stockholders were indebted to the bank in notes, and to them their notes were given up, and if their shares exceeded the sum due from them to the bank, the balance was paid out of the bank with the property of the corporation: and none of the said directors, or any person whatever, was debited for the said sums so paid, or for the notes surrendered.

"On the third day of June, 1805, the board of Directors passed a vote permitting each director to take out of the bank two hundred dollars for the purpose of exchanging the same. The said directors have never paid or accounted for said money to the bank.

"When the bank first commenced its operations, the capital paid in, including the money paid by the directors, and which was soon after repaid to them, as is herein before stated, amounted to the sum of eleven thousand eight hundred and six dollars and sixty-one cents; when the directors had, as before stated, taken back in bills the amount they had paid in specie for their first instalment, the capital stock really paid in, amounted to only the sum of three thousand and eighty-one dollars and eleven cents.

"The directors never declared any certain dividend of the profits of the Bank, but once a year paid to the stockholders interest generally at the rate of eight per cent. per annum on the sums they had respectively paid in,

* Legislative History of the United States Bank.

and the residue, amounting in some years to one hundred and thirty dollars each, the directors divided among themselves.

"According to the books containing the weekly state of the bank, there were several periods when the amount of bills in circulation far exceeded the amount of notes due the bank; for instance, on the twenty-fifth day of March, 1805, the amount of bills in circulation was seventy-two thousand two hundred and eleven dollars, and the amount of debts due the bank was fifty-three thousand two hundred and seventy-five dollars: at some periods, anterior to the 29th day of March, 1808, the bank had in circulation from sixty to seventy thousand dollars. On the 28th day of March, 1808, there was in said bank, in specie and bills of other banks, three hundred and eighty dollars and fifty cents, and the bank had twenty-two thousand five hundred and twenty-four dollars of their own bills in circulation."

Under this system, the bank carried on operations about four years: and then eleven of the directors transferred their interest in the institution to the agent of Andrew Dexter, jun., of Boston. Each of the directors received thirteen hundred dollars in consideration of his transferring his shares: and each of them received back the notes he had given for instalments, the whole principal and interest whereof were then due to the bank.—"The thirteen hundred dollars were paid to some of the directors, by notes signed by Simon Smith and John Harris, as principals, and Andrew Dexter, jun., as surety: to others by surrendering them notes given by the bank for money borrowed, and to others by giving them the notes of individuals which were the property of the bank. It appears that *all* the money paid to the said directors, *was paid out of the bank with the property of said corporation*, except that there is charged to said Dexter, three thousand seven hundred and eighty-five dollars and ninety-five cents paid on that account."

Dexter thus got control of the institution, and having a board of directors disposed to favor his views, he got from the bank, at divers times in the course of the year, "its bills to the amount of *seven hundred and sixty thousand two hundred and sixty-five dollars*, and there was paid to sundry persons for his use, three thousand seven hundred and eighty-five dollars and ninety-five cents."

"From the first connection of Dexter with the bank, he appears, by himself and his agents, to have had the entire control and management thereof: all his schemes and plans, however wild and extravagant, were adopted and carried into execution without reserve; those of the directors who still pretended to superintend the concerns of the bank, took no care whatever to guard the interest of the stockholders or the public.

"Dexter was furnished with as much money as he thought proper to demand, and prescribed his own terms as to the security he gave, the rate of interest, and the time and manner of payment. The greatest secrecy was used respecting his negotiations at the bank, to prevent the public from being alarmed at the immense sum of money which was so suddenly put in circulation; and at the request of Dexter, the cashier signed the bills secretly, and chiefly in the night. Dexter never gave any security whatever, except his own name, for any money received by him from the bank. For the first sums delivered, Dexter gave his receipts: for other sums he gave receipts to the following purpose, that he would employ the money as their agent for their benefit, paying them six per cent. interest therefor, and redeeming the bills by paying specie for them as often as they returned to the bank, the cost of redemption to be paid by the bank. After these receipts had been standing for some time, they were taken up by Dexter, and a note given by him for the whole amount, of the tenor and effect following: 'I, Andrew Dexter, jun., do promise the President, Directors, and Company of the Farmers' Exchange Bank, to pay them on order, ——— dollars, in two years from the date, with interest, at two per cent. per annum: it being however understood, that said Dexter shall not be called upon to make payment until he thinks proper, he being the principal stockholder, and best knowing when it will be proper to pay the same.' The said note was afterwards given to Dexter, and a note given by him for *five hundred and seven thousand seven hundred and seventy-one dollars*, bearing date on the 30th of November, 1808: all the money received by Dexter after that time was delivered to him by order of Harris and Fairbanks, the last of which was delivered to him on the 9th of February, 1809, for which Dexter gave his notes, which are now remaining in the bank: one bearing date on the 4th of November, 1808, for *three hundred thousand dollars:* one bearing date on the 30th of the same month for thirty-two thousand dollars, and one bearing date on the 12th day of December, 1808, for six thousand dollars: all which notes amount to the sum of *eight hundred and fifty-five thousand seven hundred and seventy-one dollars*, paya-

ble in eight years from their respective dates, bearing interest at and after the rate of two per cent. per annum.

"Out of the amount above stated, as due from the said Andrew Dexter, jun., to the bank, ought to be deducted certain drafts or orders drawn on said Dexter by the cashier, to take up the bills at different times returned to the bank, as far as the said drafts or orders have been paid by said Dexter. The amount of said drafts or orders, according to the books of the bank, still outstanding and unsettled, is two hundred and four thousand and five dollars, but of this sum the committee have no means of ascertaining what part has been paid by the said Dexter.

"In December, 1808, the credit of the bank had become very low, and the bills were selling at a large discount: but the said Andrew Dexter, jun., and the other persons who managed the affairs of the bank, instead of putting a stop to the emission of their bills, and making some provision for the payment of those in circulation, redoubled their efforts to circulate sums to a large amount, when at the same time they refused the payment of the smallest sums at the bank.

"The president and cashier were incessantly employed in signing bills:" and "Dexter was continually urging them to sign bills as fast as possible," telling them that every thing depended on his having them very speedily: that if they were not soon finished, he should not be able to dispose of them, and that at that time he should be able to sell some of them very well. The bills were made with so much precipitation, and the officers of the bank were so much pressed for time, that said bills were in some instances sent to Boston without being dated or numbered.

"There is now in said bank, eighty-six dollars and forty-six cents of specie. On the 9th of February, 1809, there had been emitted by said bank, six hundred and forty-eight thousand and forty-three dollars of their bills, according to their books. Owing to the extreme confusion in which their mode of keeping their accounts has involved all their transactions, it is impossible to ascertain with precision the amount of their bills now in circulation: but from the inquiries and examinations made by the committee, they are of opinion that the bills of said bank now in circulation, amount to the enormous sum of five hundred and eighty thousand dollars."

The testimony of the cashier is appended to the report. It appears from his evidence that the emission of six hundred and forty-eight thousand eight hundred and forty-three dollars in bank bills, spoken of by the committee, took place between the 29th of March, 1808, and the 9th of February, 1809, and that previous to the first mentioned date, the bank had bills in circulation to the amount of forty-five thousand eight hundred and twenty-one dollars.

The history of the Farmers' Bank of Gloucester shows what cunning men can do, when they have a legislative charter to work with.

When the explosion took place, other New-England banks exhibited proof that they had been trading on the same principles, though not to the same extent. In a speech in Congress, in February, 1811, Mr. Desha, of Kentucky, said, "The Berkshire and Northampton banks, both of Massachusetts, when their vaults were examined, one had perhaps thirty or forty dollars in it; the other, I believe, was entirely empty; the Coos Bank, (I believe it was called,) of New-Hampshire, was nearly in the same situation, and thousands of their bills in circulation at the same time."

Mr. Burwell, of Virginia, said, "The State of Massachusetts found, upon examining the vaults of the banks, the whole of them did not contain specie equal to the paper issued by a single one."

We have no list of the New-England banks that stopped payment previous to the war: but it is evident from all testimony, that the banking institutions in that quarter had extended their operations so far, that the necessary reaction produced very disastrous consequences.

South of New-England, the banking system was, in some respects, less pernicious than it has been at any period since the year 1814. The notes of the banks were then "convertible" into either gold or silver.—The old Bank of the United States issued no notes of a less denomination than ten dollars: whereby it was enabled to exercise a more salutary control over the local banks, than the second U. S. Bank ever found possible.

As long as a state of war existed between Spain and Great Britain, the citizens of this country were the carriers and commercial agents of Spain, and nearly all the metallic treasures of Mexico passed through our hands. From the peace of Amiens, in 1801, this influx of silver abated; but it was still considerable. It could hardly be regarded as part of the currency of the country, being received by us in payment for European goods, and afterwards transmitted to those from whom

we had obtained those goods; yet temporary deposits of it were made in the banks, whereby these institutions were sometimes prevented from feeling the effects their expansions must otherwise have produced.—The specie constantly *in transitu* from South America through the United States to other parts of the world, was so great in amount, that a retention of the quarterly or semi-quarterly supply for only a month or two was sufficient to relieve the banks from the difficulties into which they were occasionally brought by extending their operations too far.

The suspension of specie payments by the Bank of England, and the free use of paper on the continent of Europe, diminished the demand for the precious metals as a material for money. This rendered the pressure on the American banks less severe than it is at present.*

High dividends were not the only profit those who had the control of the banks derived from their situation. Banking was a closer monopoly than it now is, and circumstances were such as to render that monopoly very lucrative. Money being at this period worth more than bank interest to mercantile men, facility of borrowing gave to such as possessed it great advantages. Our commerce was exposed to frequent interruptions by the beligerents. These sometimes made the necessity of borrowing very urgent, which necessities the agents of the bank directors used to meet by lending money at two or three per cent. a month.

The banks expanded and contracted their issues then, as the banks do now, and as credit banks from the necessity of their nature always will do; and the occasional plenty of money produced by banking operations, and the subsequent scarcity, had the same effects that they have in our own times. As a close veil was then thrown over banking proceedings, it was not always easy to trace these effects to their causes: but even in those days it was not possible completely to conceal the connection of causes and consequences from the eyes of observers. The periodical demand for specie for the China and East India trade, always caused a pressure in the money market. The specie at the Branch Bank at New-York was, it is said, reduced on one occasion to ten thousand dollars.† Notwithstanding all the advantages the banks then enjoyed, they were probably many times brought near the necessity of suspending specie payments, for they had the same inducements then that they have now for extending their operations as far as possible.

The effects of these operations were less severely felt, the further a county or a town was removed from the sphere of bank influence. In many of the agricultural districts, the state of credit was sound, or nearly so. The "vulgar prejudices of the country people in favor of gold and silver money, were not then entirely subdued." The spirit of wild speculation did not often infect them. Industry and economy were regarded as the true roads to wealth: and men of reputation found little difficulty in borrowing as much money as was wanted. The country capitalists did not then purchase bank stock with their surplus funds, but lent them to their industrious neighbors for long periods. Little risk attended this mode of lending, and it was mutually beneficial to the parties concerned.

"Before the establishment of banks in the interior," says a committee of the senate of Pennsylvania,‡ "the farmer who possessed credit and character, experienced little difficulty in borrowing on his simple bond, for one or more years, any sum which it was thought could be prudently loaned to him.—Embarrassments and failures, in those days, were scarcely known among our husbandmen; and society moved on by a regular, sure, and happy march. In our cities, on the contrary, where loans have been chiefly made by incorporated banks, we have seen a continued succession of bankruptcies; and had it not been for the practice so universally prevalent amongst merchants, *of securing the banks for the sake of endorsers*, banking long since would have been abandoned as an unprofitable trade."

A writer in the Richmond Inquirer, gives a testimony similar to that of the committee of the senate of Pennsylvania. He says—

"From the adoption of the Federal Constitution in 1787, down to 1804, banks were unknown in Virginia, with the exception of a branch of the old United States Bank in Norfolk, about 1799 or 1800. The paper of this

* The competition among the banks being less than it is now, these institutions made very high dividends. In 1792, the Bank of North America divided 15 per cent.: in 1793, 13½ per cent.: from 1794 to 1799, inclusive, 12 per cent. per annum: from 1800 to 1802, 10 per cent.: in 1803, 9½ per cent.; from 1804 to 1810, 9 per cent. The dividends of the old Bank of the United States were from 7 5-8 per cent. to 10 per cent. From 1792 to 1808, the Bank of Pennsylvania never divided less than 8 per cent., and sometimes its annual dividends were as high as 10 per cent. Dr. Bollman, writing in 1810, said, "none of the banks divided less than 8 per cent., and some of them much more."

† Vide "A Peep into the Bank," New-York, 1828.

‡ Report on the renewal of bank charters, January 15th, 1821. Condy Raguet, chairman.

bank scarcely found its way into the interior of the country: and it may be truly said, the currency of the country was metallic. Until the year 1798, no people enjoyed more happiness or prosperity than the people of the United States—nor did any country ever flourish more within the space of time. The desk of every agriculturist in Virginia had some gold or silver to spare, if he was a prudent, industrious man; or he had something like money to spare in the hands of his merchant, who, in the days of which I am speaking, acted as a banker to his prospering customers. Nor was any interest paid upon such moneys as might be deposited in the hands of the merchant: because both planter and merchant considered themselves accommodated by the arrangement: the planter in having his money safely kept for him, until he wanted to use it, and the merchant in having the use of the money until it was called for. Under such circumstances, none will doubt the happy condition of both planter and merchant; and if the view be somewhat extended, it will be found that this state of prosperity was not confined to one or two classes of society, but extended to all. The man embarrassed might readily sell something, and to advantage, to pay his debts. The currency of the country being specie, was widely scattered through the land, and in diversified hands; so that its concentration at any particular point was impossible; and consequently its removal from the country could not happen to any great extent.

"I know there are many, who in order to effect present objects, insist that commerce could not be carried on without the aid of banks. To this I answer, how was commerce carried on before we had banks? Will any body deny there was any commerce in this country at that time? No one will be found hardy enough to take this ground; for every intelligent man of forty years knows that, before there were any banks in Virginia, the foreign commerce of the country was greater than it has ever been since, and the country far more prosperous. Nor was there the least inconvenience in transmitting money from one point to another through the merchants, whose credit *then*, was as good as the credit of the Banks now, if not better. Banks have destroyed the credit and confidence which men had in one another.

"No people had more cause to rejoice than the people of Virginia; but alas, the banks came, and all things became changed. Like the Upas tree, they have withered and destroyed the healthful condition of the country, and inflicted on the people political and pecuniary diseases of the most deadly character."

CHAPTER VII.

Of Banking from 1810–11 *to* 1814–15.

AFTER the unsuccessful attempt to obtain from Congress a renewal of the charter of the United States Bank, overtures were made to the Legislature of Pennsylvania. The petitioners offered a bonus of five hundred thousand dollars, and a loan of five hundred thousand dollars more, for an act of incorporation under the title of the "American Bank, with a capital of five million dollars.* The offer was, in a fiscal point of view, very advantageous, but it was not accepted; less perhaps from any remains of the old democratic enmity to the system, than from a desire of individuals to get charters for the particular benefit of themselves and their friends.

"The anxiety displayed by the stockholders of the United States Bank to continue their business," says a committee of the senate of Pennsylvania,† "and the successful appearance of their dividends, added to the locating of branches of the Pennsylvania Bank in the country, very naturally excited the attention of the public, and particularly of the inhabitants of some of the interior counties of the State, who fancied that much of the prosperity of cities was to be traced to the establishment of Banks, and that if that were the case, there was no reason why the country should not participate in their advantages.‡ Such considerations as these, urged on by the desire of accumulating wealth without the dull exercise of labor, engendered a spirit of speculation. It was supposed that the mere establishment of banks would of itself create capital, that *a bare promise to*

* "Concise Observations on the Propriety of incorporating New Banks." Philadelphia, 1812.

† Report on the Causes and Extent of the Present General Distress, read January 29th, 1820. Condy Raguet, chairman.

‡ If they had supposed that the prosperity of *some* of the inhabitants of cities was owing to the establishment of banks, they would not have been far wrong. Nor were they in error in supposing that bank notes are money to those who issue them, if others are so simple as to receive them; nor that a universal rise in the price of land and commodities brings an increase of wealth to those who are fortunate enough to make sales while prices are high. Their error was in supposing that a system which is profitable to any, only because but few participate in it, might be extended so far as to be profitable to all who might wish to share in its advantages.

pay money, was money itself, and that a nominal rise of the price of land and commodities, ever attendant upon a plenty of money, was a real increase of substantial wealth. The theory was plausible, and too well succeeded. The Farmers' Bank, with a capital of three hundred thousand dollars, was established in the county of Lancaster, in the beginning of the year 1810, and was accompanied by several others in the city, as well as in other parts of the State.

"These early symptoms of a mania for banking, induced the legislature, on the 19th of March, 1810, to enact a law prohibiting unincorporated institutions from issuing notes, or pursuing any of the operations of banks; but in defiance of its provisions, the system was persevered in, and even companies incorporated for the purpose of constructing bridges, departed from the spirit of their charters, converted themselves into banks, and emitted notes for circulation.

"The war, as might naturally be expected, put a temporary stop to the exportation of specie, and thereby removed the only check against inordinate issues of paper, which can possibly exist. This cessation of the returning of notes for payment, had the effect of inviting the banks to enlarge their issues. Loans were made to government to an immense amount, and to individuals vastly beyond what the absence of foreign commerce justified, and a gradual depreciation of the currency was the result. The increase of dividends, and the facility with which they appeared to be made, extended throughout the whole commonwealth the spirit of speculation, already introduced into some counties. The apparent success of the Farmers' Bank of Lancaster, which from the enormous extent of its issues was enabled to divide upwards of *twelve* per cent. per annum, and to accommodate its stockholders *with loans to double the amount of their stock*, had a powerful influence on the public mind. A bank by many was no longer regarded as an instrument by which the surplus wealth of capitalists could be conveniently loaned to their industrious fellow-citizens, but as a mint in which money could be coined at pleasure, for those who did not possess it before. Under these delusive impressions, associations of individuals sprang up in every quarter, holding out inducements to the farmer, the merchant, the manufacturer, and mechanic, to abandon the dull pursuits of a laborious life, for the golden dreams of an artificial fortune.

"The liability, however, to individual ruin, attendant upon unchartered copartnerships, restrained in a degree the banking mania, and impelled the projectors to apply for a legislative sanction. During the session of 1812–13, a bill to incorporate twenty-five institutions, the capitals of which amounted to nine million five hundred and twenty-five thousand dollars, was passed by both houses of the legislature, by a bare majority of one vote in each. The bill was returned by the governor with his objections, which were sensible and cogent, and on a reconsideration the votes were 38 to 40. At the following session the subject was renewed with increased ardor; and a bill authorising the incorporation of forty-one banking institutions, with capitals amounting to seventeen million dollars, was passed by a large majority.—This bill was also returned by the governor with additional objections, but two-thirds of each House, (many members of which were pledged to their constituents to that effect,) agreeing on its passage, it became a law on the 21st of March, 1814, and thus was inflicted upon the commonwealth an evil of a more disastrous nature than has ever been experienced by its citizens. Under this law thirty-seven banks, four of which were established in Philadelphia, actually went into operation.

"The immediate commencement of a number of these banks, with scarcely a *bona fide* capital equal to the first instalment, *for the convenient mode of discounting stock notes to meet the subsequent payments, was soon discovered*, increased the mass of paper credits already too redundant, and depreciated the whole circulating medium so far below specie value, as to excite a want of confidence in its convertibility. In the absence of a foreign demand for specie, a domestic one arose. The laws of the New England States had been so rigorous upon the subject of banks, which were liable to a penalty of 12 per cent. per annum for the non-payment of their notes, that no depreciation of *their* currency took place. The consequence thereof was, that the difference between the New-England prices of commodities, stocks and foreign bills of exchange, and those of Pennsylvania, was equal to the extent of the depreciation of the currency of the latter; and as our bank notes were redeemable on demand, the most profitable remittance which could be made to New-England, in exchange for her commodities, was specie; and this demand created a run upon the banks which

they were not able to withstand. The situation of the Southern and Western banks was precisely similar to that of our own. All had over-issued, and a general depreciation had ensued. The same causes produced the same effects, and a general stoppage of all the banks in the United States, except those of New-England, took place in August and September, 1814.* The New-England demand, it is true, was increased by two causes, viz.: *first*, by facilities in foreign trade through neutral vessels, which were afforded them by an exemption from the blockade of the enemy; and *secondly*, by a well grounded apprehension that the Southern banks, from their extensive emissions, would necessarily become embarrassed. Certain it is, however, that all these causes combined could not have produced a general suspension of payment, had our banks observed the same caution in their issues as that which characterized the banks of the Eastern States."

From this account it appears that one year before the expiration of the charter of the United States Bank, and two years before the commencement of the war with Great Britain, the bank mania raged in Pennsylvania with so much violence as to require legislative interposition. In a year or two after, the mania infected the Legislature. It had received a check in New-England, and was now, according to the natural course of things, spreading south and west.

The infatuation of the high authorities of the United States government, was as strong as that of the people and of the local legislatures. War was declared against Great Britain in June, 1812; and bank notes and bank credits were seized on to defray the expenses of fleets and armies. "The bank capital has been stated at seventy-five millions," said the Committee of Ways and Means of 1813–14, of which Mr. Eppes was chairman. "On this capital we may calculate with safety on a circulation in notes and discounts of one hundred millions. From this sum deduct 47,569,120, the maximum of what is deemed necessary for circulation, and the sum remaining, viz. 52,430,880, constitutes the ability of the moneyed capitalists to loan. Of this sum we propose to borrow thirty millions."

In conformity with these principles, about six millions were borrowed in 1812, from the banks, and about four millions more from individuals, who had obtained from the banks the means of lending. These loans were obtained at par. In the next year the government borrowed about twenty millions, for every hundred dollars of which it issued a certificate of stock for one hundred and thirteen dollars. In the following year it borrowed about fifteen millions, for twelve millions of which stock was issued at the rate of one hundred and twenty-five dollars, for one hundred dollars paid in. Then, as Mr. Ingham said in Congress, "it seemed impossible to borrow on *any* terms."

The policy of carrying on the war by means of loans, cannot be said to have been an unwise one: but what ought to have been an essential point in this policy, namely, drawing on the real resources of the country to an extent sufficient to support the credit of government, was neglected. It was known beforehand, that the operations of the enemy would, by cutting up our commerce, diminish the revenue from the customs: yet, the first steps towards raising a revenue by internal taxation, were not taken till July and August, 1813: and the acts which were then passed, did not take effect till the 1st of January, 1814.

The consequence was, that the revenue of the three years, 1812, 1813, and 1814, amounted to only thirty-six millions, or about twelve millions a year. The charges on government in time of peace, amounted to eight millions a year, and with the remaining four millions we were endeavoring to carry on a war with the most powerful nation on the globe!

As an auxiliary means of supplying financial wants, emissions were made of treasury notes, bearing an interest of five and two-fifths per cent. per annum, reimbursable one year after they were issued, and receivable in payment for duties, taxes, and public lands. Of these notes, nearly three millions were issued in 1812, about six millions in 1813, and upwards of eight millions in 1814. As great part of the revenue of twelve millions a year was received in treasury notes, the reader can judge of the condition of government.

The mania which raged among the people, and which infected the legislatures of the different States, would have produced great evils

* It appears from other documents, that when the British made an inroad into the State of Maine, some of the banks in that quarter of the country suspended payment; that the banks of Ohio and Kentucky maintained specie payments till the latter part of December, or the beginning of January; and that the Bank of Nashville, (one of the two banks then in operation in Tennessee,) did not stop payment till August, 1815. The banks of Louisiana suspended payment in April, 1814 four months sooner than the banks of Pennsylvania.

if we had remained at peace. But this financiering of the United States government hastened the crisis and exacerbated all the symptoms of the disease. The country was flooded with paper, which might, without impropriety, be regarded as a new emission of continental money, differing from the old only in having the banks for endorsers.—Gladly did these institutions avail themselves of the excuse for stopping payments, which was afforded by the inroad of the enemy into Maryland.

For some time after the suspension of specie payments by the Bank of England, its notes remained on a par with specie.—When they began to depreciate, the notes of all the other banks experienced an equal depreciation, because they were exchangable for those of the Bank of England. The currency was at times as much as twenty per cent. below the legal standard. But the scale of depreciation was the same throughout England and Wales.

The suspension of specie payments in the United States, differed from that of England in two important particulars. It did not take place throughout the country, and as each bank was independent, there was a different scale of depreciation for each county and each town.

The paper, however, still served as a medium of commerce. The merchant of Pittsburg put an additional price on his goods, equivalent to the depreciation of the currency in that quarter: and as he had obtained ten or twenty per cent. more on his sales, he was enabled to pay ten or twenty per cent. more on his purchases. A loss was sustained by individuals when the paper underwent an additional depreciation while remaining in their hands; but their indignation, instead of falling on the banks, was vented on the innocent and useful exchange merchants.

On the 19th of November, or eighty days after the suspension of specie payments, the paper of the best Banks of Philadelphia was at fourteen per cent. discount: yet but little murmuring was heard, except at the refusal of the banks to receive Southern and Western paper on deposit. Prices were rising, business was brisk, and if any man experienced difficulties, he attributed them to the war.

Such was the state of things, when, on the 14th of October, 1814, or *forty-four* days after the suspension of specie payments, Mr. A. J. Dallas, Secretary of the Treasury, recommended the establishment of a National Bank, with a capital of fifty millions, of which twenty millions should be subscribed by government, and paid in six per cent. stock. The residue of the capital was to be subscribed by individuals, and was to be paid, six millions in gold and silver coin, in three different instalments, six millions in treasury notes, and eighteen millions in six per cent. stock. The bank was to be bound to lend thirty millions to government, and was to be authorized to suspend specie payments, if the President of the United States should deem such a suspension advisable.

So desperate was the state of credit, that this desperate expedient was regarded *with* favor by many members of Congress. Mr. Ingham, who was one of its advocates, said, "should any unexpected difficulties menace the bank, there will be a resort to the power of suspending specie payments.

* * * * *

* * * I do not apprehend any serious consequences will result from the temporary suspension of specie payments. The experiment was tried many years ago in England, and has been coutinued up to this time, without injury to the commercial interests, and with essential benefit to the nation at large. It has also been tried here, and, though bank paper is somewhat depreciated thereby, it is solely because it will not answer the purpose of paying balances between people of different States, for which specie had usually been employed.—For example, the bank paper of the District will not enable you to trade east of Baltimore: yet every article to be purchased with it here, is as cheap as it was twelve months ago. It may, therefore, be fairly inferred, that a paper which was receivable all over the United States in taxes, and might be exchanged for notes of smaller or greater denomination, or treasury notes in each of the States, would, from its general convenience, continue to circulate without depreciation, even though a temporary suspension of specie payments should take place."*

Mr. Gaston, of North Carolina, compared this proposition to relieve the evil arising from too much paper by throwing more into circulation, to the remedy which Burke had described the French Convention as prescribing for every evil, viz., issuing *more assignats.*

* Legislative History of the United States Bank.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, February 16, 1842. No. 17.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

RESUMPTION OF SPECIE PAYMENTS.

We have received a copy of the Winchester Virginian, of January 19th, in which is a very able memorial to the Legislature of Virginia, urging a resumption of specie payments. The author requests us to say, if his views are correct. The particular question on which he wishes our opinion is, we presume, embraced in the following extract.

"Coin (gold and silver) will not circulate with irredeemable paper. When the latter circulates, the former ceases to be used as a currency, becomes an article of merchandize, and is bought and sold like other valuable commodities, and like them its rise or fall, as compared with irredeemable paper, depends upon the quantity of the latter issued.—And the enhancement in the value of the precious metals as compared with irredeemable paper, indicates as truly the excess of the issues of that bane of our country, as does the thermometer the temperature of the atmosphere. Thus, when one hundred and ten dollars of paper are necessary to command one hundred dollars in coin, it indicates an excess in the issues of paper of ten per cent.

"Now if this rule be true, and many practical men concur in the belief that it is so, it proves that the entire amount of excess in the circulating medium of this State is six per cent., that being the premium the precious metals bear in this market. And all that is required in order to a resumption of specie payments, is a curtailment of the discounts of the banks to an extent sufficient to diminish the circulation of the State six per cent., and an avowal by them of their abandonment of their present dishonorable course. And while we are not sufficiently familiar with our local currency to warrant us in forming an estimate of its amount, we hazard little in saying that it falls very far short of half the aggregate of the discounts of our banks.

"But suppose the circulation of the banks be equal to half the aggregate of their discounts, then a resumption of specie payments can be brought about by a curtailment of the discounts of the banks three per cent., and then all the ills with which the community have to contend, and under which the honest and industrious laboring classes suffer so much, can, by so small a sacrifice, be removed. In other words, the rights of the masses are outraged, the laws set at defiance, public morals corrupted, and all other ills of an irredeemable paper currency are inflicted upon us, in order that a few bank favorites may be able to borrow, use, and pay interest upon three per cent. more money than they would be able to command under another and better state of things; and in order that the banks may draw an interest upon six per cent. more bank credits than they can keep in circulation, and do that which is honest."

We have consulted with our friends on this subject, and we find them all, both practical bankers and scientific economists, of one opinion, namely, that the question is not one of *quantity* only, but of *quantity* and *quality* combined, and that the extent to which the banks must reduce their discounts in order to *resume* and to *sustain* specie payments, depends on a variety of circumstances.

As a small excess in the quantity of any commodity, be it paper-money or any thing else, may cause a considerable fall in its value, it is quite possible to suppose a case in which a smaller reduction than is mentioned in the quotation above given, would bring a depreciated currency up to par. Such would be the case, if the inhabitants of the district in which the notes of the bank circulated, owed nothing to the inhabitants of other districts, if they had full confidence in the bank making the issue, and more especially if most of those holding the notes of the bank or having de-

posits in it, had an *interest*, either as stockholders or as borrowers, in supporting the credit of the institution. In supposing that the inhabitants of the district owe nothing to the inhabitants of other districts, we suppose also that the bank itself owes no balances abroad.

On the other hand, let it be supposed that the inhabitants of the district owe large amounts to the people in other places,—that, through a series of events, confidence in the bank is shaken—and that most of its notes and deposits are in the hands of persons who have *no interest* in supporting its credit. Then, a considerable reduction must be made in the amount of the current credits of the bank, in order to bring them up to par.

One of the reasons alleged by our banks for not resuming specie payments, is the large amount of debts due, not by the banks themselves, but by the merchants of Philadelphia to their eastern correspondents. The New Englandmen choose to have the payment of the debts due to them postponed, rather than be paid in a depreciated currency.—Should the banks resume specie payments, a large amount of bank deposits, now lying *dormant*, would be called for either in specie or its equivalent, and meeting such demands would, to say the least, prove extremely inconvenient.

Another reason with our banks for not resuming is, that the public have so entirely lost confidence in them, that no man, not having an interest in supporting them as a stockholder or a borrower, would trust them a day longer than he could possibly help. The market people might receive their notes, but they would not take them home with them.

Should our banks resume, there would be a demand for both bank notes and bank deposits; but it would be for the smallest amount with which it would be possible to carry on the wholesale transactions of the town. People would not, as they did in former days, *hoard* bank notes and bank deposits, with just as much avidity as their forefathers did gold and silver.

The demand for money, be that money paper or metal, is two-fold. First, to pay debts which are due, or to make purchases which are immediately desirable. Secondly, as an *investment*, which will afford the means of paying debts or making purchases in some after time. Our money is at present inconvertible paper, and its value is maintained in the market by this two-fold demand. We *hoard* to a certain extent even inconvertible notes, and inconvertible deposits, because we suppose that they may a week, or a month, or perhaps three months hence, be as available in paying debts and making purchases as they are now. But let the banks resume specie payments, and the whole demand for money as *an investment*, even if it is intended to be held in that form for only one month, will be for metallic money.

These causes would operate with more force in Philadelphia and its neighborhood than in Virginia, and in some other parts of the country.

The effects of the measures taken to produce a resumption of specie payments, are sometimes very different from what are anticipated. When the question was agitated in Great Britain in 1819, Ricardo gave it as his opinion that a *resumption* would not cause a greater fall than four or five per cent. in the prices of commodities. In a debate in the British Parliament some years afterwards, Earl Grey said "he looked back with astonishment on this opinion, as it was now an indisputable fact that the approaching return had the effect of depreciating property thirty-five per cent."

Perhaps this fall of prices was in part owing to other causes. We are strongly inclined to think it was. And that, among other causes, the great disorders which prevailed in the United States in 1819, and subsequent years, had a great effect on prices in Great Britain. If but one of the leading branches of industry in a country be greatly depressed, every other branch will feel the effects thereof. As Great Britain has its chief foreign maket in the United States, whenever we get into trouble, *several* of its leading branches of industry are greatly depressed, whereby all the rest are affected.

Another cause to which we are disposed to attribute the great fall of prices in Great Britain, is the change from a silver to a gold standard. Before the bank restriction act in 1797, silver was, to a great extent, the practical standard in Great Britain, so far as any metal can be considered as the standard in a country using paper money.—During the interval that elapsed between the suspension and the resumption of specie payments, gold rose greatly in value as compared with silver. In 1797, one ounce of gold was worth, say, 15 ounces of silver. In 1821, one ounce of gold was worth nearly 16 ounces of silver. Since the resumption of specie payments, silver has not been a legal tender in Great Britain for a larger amount than forty shillings. We believe that British writers on the currency, have not duly considered the effect which this change of standard produced; and that the fall of prices which they attribute

solely to the resumption of specie payments, was owing in part to the adoption of gold as an exclusive standard, without due reference to the fact that a great rise had taken place in the value of gold as compared with silver.

As our banks have the option of paying in either gold or silver, and as gold is now estimated at our mint at its true market value, we should not have this difficulty to contend with. But we should have others of a not less serious nature, arising out of the general want of solid capital on the part of the banks, and a general want of ability to pay on the part of bank debtors.

The paper of a particular bank is at, say, only six per cent. discount: but that it is not at a discount of twenty or thirty, is perhaps owing only to the forbearance of other banks which are its creditors. And these other banks are enabled to exercise such forbearance only by means of various contrivances, by which they support their own credit, many of which contrivances are known only to the initiated. Perhaps the exercise of forbearance by the creditor banks towards the debtor banks, is merely the result of policy. They may know that by pressing their demands for payment, they may lose every thing. They may hope to gain something by temporising. They may fear to produce a run on themselves, by treating other banks as the Northern Liberties Bank lately treated the Girard.

In the present condition of things, we do not look upon the prices which bank notes bear in the market as a fair test of their ultimate value. Such value as they possess, is, in a great degree, the result of cunning, combination, contrivance, policy, and mutual forbearance, arising from a sense of mutual weakness.

In a few words, we do not look upon a resumption of specie payments as an object as easy to be effected as some people imagine. Few of our banks ever had any capital but the *stock notes* of their subscribers. A *bona fide* payment of these stock notes, under present circumstances, is impracticable. They have not, therefore, in their capital, the means of resuming, that is, of paying their debts, for their very capital consists of nothing but promises to pay.

If they had confined their discounts to commercial paper, resumption would be easy. But they have not done this. They have made most of their loans to land speculators and stock jobbers.

There is no use in concealing from ourselves the real difficulties of our situation. Full two-thirds of the banks in the "*suspended* district" never can resume and *sustain* specie payments. The sooner, therefore, they make the necessary preparation for *winding up their affairs*, the better will it be for them, and the better will it be for the community.

☞"The History of A Little Frenchman and his Bank Notes," has been extracted by us from a pamphlet published in this city in the year 1815. At that time, as now, the banks were in a state of suspension, but then every body that chose made money out of paper, and notes for the fractional parts of a dollar took the place of silver change. Without a knowledge of this fact, some passages in "The History of A Little Frenchman" will not be understood by readers in this vicinity.

THE HISTORY OF A LITTLE FRENCHMAN AND HIS BANK NOTES.

Travelling lately in a stage from the South, I fell in company with a little Frenchman of rather singular appearance and dress, who, contrary to the characteristics of his good humored nation, seemed animated by an inveterate propensity to grumble at every thing. He never paid or received money without a vast deal of shrugging of his shoulders and other tokens of dissatisfaction, and whenever he handled a bank note, eyed it with a look of most sovereign contempt. He talked English tolerably well, except when he was in a passion, when he sputtered French most vehemently. His complexion and dress denoted him to be of the West Indies—the first being a sort of mahogany color, and the latter as follows, as nearly as I can recollect. His hat was exceedingly high-crowned, and his little pigtail *queue* dangled from under it, like a rat's tail. He had rings in his ears—a coat with long skirts—cut nearly to a point, and reaching to his ancles—a white dimity waistcoat, and breeches, with gold buttons; and he wore a watch with a chain and trinkets that reached half way down to his knee. His appearance, dress, and, above all, his ill humor, excited my curiosity and induced me to inquire into his history. The second day, having got a little acquainted, he let me into the secret of his dissatisfaction.

It seems the little man had arrived from Cuba, with about eight thousand dollars in gold, which by way of *security* he lodged in one of the banks at Savannah. When he came to demand his money, he was told they did not pay specie, and he must therefore take bank notes or nothing. Being an entire stranger, and ignorant of the depreciation of paper money, arising from the refusal to pay specie, and from the erection of such an infinite number of petty banks in every obscure village without capital or character, he took the worthless rags and began his journey northward. Every step he proceeded his money grew worse and worse, and he was now travelling on to Boston with the full conviction that by the time he got there he should be a beggar. It was in Philadelphia that he told me this story. "Diable"

[the Devil] exclaimed he as he concluded—"your banks ought to be called bankrupts—not one of them can pay their debts—or *will* pay them, which is the same thing—yet they pretend to make a distinction between the notes of one bankrupt and the notes of another." "Voila" [Here] said he, holding up a parcel of ragged dirty bills, pregnant with filth and disease—"Voila—it is like making a difference between the rags of one beggar and the rags of another." There was so much truth in all this that I did not care to deny his position.

Proceeding on our journey we stopped at Bristol, about twenty miles from Philadelphia. The little Frenchman took something to drink at the tavern, and offered a bill issued by the landlord of the hotel where we had staid in the latter city, who, it seems, in order to be in the fashion, had also commenced Banker among the rest. This note his brother landlord at Bristol refused to receive in payment. The little Frenchman, not understanding the distinction made by a discerning public, between the rags of one bankrupt, and those of another, now gave himself up for a ruined man, supposing that he had at last got to the extreme verge of the circulation of his bank notes. He seemed to behold the spectre poverty full before him, and to contemplate his gold buttons, that I dare say had descended down to him through several generations, as a last resource against starvation. He looked at me for consolation, with such a disconsolate shrug, such a glance of absolute despair, as would have touched the heart of even a bank director.

As well as I could, I explained to him the difference between a tavern-keeper's note, and a bank note, and comforted him with the assurance that by the time he arrived in Boston, provided he met with tolerably honest brokers, his stock of notes would not be diminished more than fifty per cent. The little man drew from his waistcoat pocket a great gold snuff box, opened it with extreme deliberation, took a long despairing pinch of snuff, and heaved the heaviest sigh I ever heard from one of his countrymen.

"Monsieur," said he "does the legislature of your country permit this system of swindling, this inhospitable custom, which falls so heavily on the traveller and stranger, to pass without censure or punishment? Is the privilege of coining money, one of the highest attributes of sovereignty, permitted thus to be exercised by bankrupts, and tavern-keepers, whose notes will either not pass at all, or pass under a depreciation, which increases in the ratio with the distance you are from the place of emission? In all civilized countries the counterfeiting of a circulating medium is severely punished. And where is the difference, whether a man imposes upon me a fictitious note, or a note that he knows will not command the value expressed on the face of it? The one indeed is forgery, the other rank imposition, but the offence to the individual, and the injury to society, is of the same nature."

"But," said I, "it is supposed that every body knows the value of every species of bank paper as well as the credit of every individual who issues notes, and to be ignorant of such things, is only to suffer those consequences which naturally spring from ignorance in every circumstance and situation of life."

"With merchants," he replied, "whose business it is to make themselves acquainted with the course of exchange, the value of money, and the credit of individuals, ignorance of these things may indeed be blameable. I however am no merchant, but a stranger, visiting your country, with objects having no connection with trade, and my first experience is that of imposition, practised by public institutions as well as private individuals, upon strangers, and apparently sanctioned by the government. I have been taught, sir, that the first duty of a government is protection to its citizens; the second, and one not less solemn, to guard the rights, the feelings, and property of the stranger."

"And yet, sir," answered I, "it would seem to be an unwarrantable interference with the rights of the citizen, or an association of citizens, to restrict them from making that use of the credit they have in society which seems to be warranted by usages that are analogous. All persons are allowed to issue notes of hand in the common course of business, which pass according to the degree of credit enjoyed by the maker, and where is the difference between issuing a piece of paper, payable at some distant period, and one payable at sight? Government cannot interfere with the credit of the citizen, nor prescribe limits to public confidence in any circulating medium."

"Your argument is somewhat specious," rejoined the little Frenchman, "but though the analogy is pretty strong between the case of the note of hand, and the bank note, there is a difference, marked and definite, which destroys the application of your argument to the latter. Men are, from their habits of business, accustomed, before they take a note of hand, to enquire carefully as to the credit of the person who is responsible for the payment, and before they receive it, must be satisfied as to that particular. But it is different with regard to any circulating medium. That passes from hand to hand without question or jeallousy, and the inquiry is, not whether the makers are solvent, but simply if the note is genuine. To strangers particularly your argument will not apply, for they are accustomed to do as they see others do around them, and for a stranger to refuse taking money which he saw every body around him receiving, would indicate either an uncommon degree of caution arising from ignorance, or an extraordinary deficiency of that liberal confidence, which is the usual accompaniment of an enlightened understanding. It is competent," continued he, "to all legislative bodies to curtail the issue of so great a quantity of paper as will depreciate its value, because they are the rightful guardians of the public credit, which always suffers in consequence. Whenever this happens, the specie of a country ceases to circulate, and is hoarded up by the prudent and the suspicious. The result is, that paper becomes the only circulating medium, and if it continues to be taken after its makers have stopped payment, it is taken at a depreciation, which will increase in proportion as public confidence is weakened, by the removal of the only check on the issue of paper;

that is, the responsibility to redeem it with specie. I, sir, do not mean to throw out any insinuation against the character of any banking institution, but this I will say, that men never ought to be permitted to act without responsibility, where the temptation is so great to act without honesty. And this applies with additional force to incorporated bodies. Single men have an individual character to forfeit, but bodies of men have little check of this kind, there are so many to share the disgrace, that it falls but lightly, and one keeps the other in countenance. Directors of banks are but men, and men, under present circumstances, exposed to great temptations. It would be useful then to watch them, not so much because they are worse than others, but because they are more exposed to those temptations that so often prostrate the best minds, and overcome the strongest principles."

How long the little man would have gone on I know not, but by this time we were at Trenton, where, some how or other, he got a note of twenty-five cents, drawn by the captain of the Steam-boat, and another of the same amount drawn by some post-master in the neighborhood, notwithstanding, since the catastrophe of the tavern-keeper's note, he had become extremely suspicious in receiving rags, as he called them. He examined them with a look of profound sagacity, but being rather near sighted, and reading English with some difficulty, his care was generally thrown away, as happened to be the case in this instance.

Having hired a carriage to take ourselves and baggage to Brunswick, it happened that my companion was called upon to pay the toll at the turnpike gate. For this purpose he took out the Steam-boat, and Post-master's notes; but alas! he had got just beyond the sphere of their circulation. The driver of our carriage pointed his whip to a little brook about three hundred yards behind, and mentioned they did not pass beyond that, northward. I have seen many men in a passion in my time, but none that came up to the little Frenchman, who, in addition to the loss of his money, suffered the pangs of mortified self love, connected with the idea of having been a dupe. He began to sputter in a jargon of unintelligible French phrases, so closely treading on the heels of each other, and so jumbled together without any sort of connexion, that one would have thought a dozen Frenchmen were talking all at once, and each on a different subject, as I have sometimes heard them do, at a French *café* in New York. After a while he seemed to recollect himself, shrugged his shoulders, sat down, took a pinch of snuff, and exclaimed—"La patience est amare, mais son fruit est doux."* "Boutez en avant,"† said he to the driver, who understood no more French than one of his horses.

After a silence which lasted some miles he suddenly moved himself with the exclamation of "Il vaut mieux tacher d'oublier ses malheurs que d'en parler."‡ "But, monsieur, please to inform me what advantage can result to the community at large by the emission of this infinite variety of rags? On the contrary is it not in the highest degree pernicious to the interest of every class of people except bank directors and stockholders, who, by *shaving* the rest, manage to divide nine or ten per cent. per annum as I understand? Suppose for instance a man has an income stationary and independent of the usual contingencies of trade and accident. Instead of receiving it in silver or gold, or paper equivalent in value, he now receives it in rags, and is obliged to give twenty per cent. more for every article he consumes. And what advantage is there to counterbalance this.

"A vast many, monsieur," replied I. "In the first place money becomes so plenty that it is hardly worth having, which is an excellent thing. In the second place, people that had not a sixpence before, can become immensely rich by setting up a bank, and issuing paper money to any amount, which they may do without any danger, as nobody pays cash for their bank notes now-a-days. "Eh bien?" [How?] said the Frenchman, with a look of curiosity.

"I will tell you, monsieur. A number of persons in some little village of forty or fifty, or perhaps a hundred houses, get together, choose a president and directors, adopt some high sounding name, get a handsome copper plate, and strike off bills to the amount of half a million, establish a good understanding with some bank in the large cities to circulate their notes, and away they go with each as much money as he can stow in his saddle bags, to circulate it as fast as possible all over the country. Nay, so very liberal are these gentlemen, that they will be infinitely obliged to any man who will borrow a few thousands from them. In this way they drive their rags into circulation, the people get accustomed to see them, and the directors all at once become rich men."

"Comment," [Well] said the little Frenchman, "I see how it is with monsieur the bank director and the stockholder. Il en fait ses choux gras,* but what becomes of the farmer, the mechanic, and the men who receive salaries from government—and who is to pay the notes thus issued? I do not find that one dollar in ten of paper money is represented by specie."

"True," replied I, "one half of these petty institutions have no more specie in their vaults than I have in my pocket. Many of the directors are men of nominal, perhaps real estate, but then you are to understand, that they expressly stipulate that nothing but the *funds of the bank* shall be liable for the debts of the institution, and that all their private property is excepted."

"The funds of the bank—le diable est aux vaches!† What! have you not told me they have no funds but paper rags, and consequently cannot pay any thing else. In what then do their funds consist!

"They consist," said I, "in notes of hand of individuals, which they give the bank in exchange

* Patience is bitter; but its fruit is sweet.
† Push on ahead.
‡ It is better to try to forget one's misfortunes, than to speak of them.

* He makes his own cabbages large—he gets much by the process.
† The devil is among the cows—every thing is in confusion.

for its notes. These are the only real capital of the bank, and are generally renewed at sixty days, for the accommodation of the bank and its debtor mutually. For if the bank were suddenly to call for payment, about three-fourths of the debtors perhaps could not pay; they would break, as it is called, and the bank would thus lose the only capital it can boast. So you see, monsieur, the basis of all this enormous issue of paper bank notes, is only paper notes of hand. This mutual caution between the bank and its debtors is exceedingly convenient and advantageous. The debtors who amount to a very large portion of the merchants, circulate their bills for them, and give them all the currency in their power, for you will perceive, that if the banks were obliged to pay cash for their notes, they could not discount three times the amount of their capital, the people having discounts would of course be obliged to pay their notes, and the holders of bank stock be under the dreadful necessity of contenting themselves with legal interest for their money."

"Ah hah!" said my companion, "I see it plainly enough. But then monsieur will allow me to suggest, that this must at length come, "a l'extinction de la chandelle."* There will be an end to this at last; and then who will be the loser, when you get to "cul de sac?"†

"Why, sir, the man that happens to be in possession of the rags, as you are pleased to call them. He will go to the bank and demand payment: they will give him the choice of rags belonging to other banks, but no money. *That* they must keep in their vaults, for fear it should go out of the country, as if it might not as well do this, as be buried where I believe it would puzzle the directors themselves to find it. Well, he takes his rags, and goes to another bank, where he can get other rags, but no money. *They* never covenanted, not they, to pay money for their notes, and when they promised to redeem a rag, with five, ten, or twenty dollars, they meant only that amount of other rags. Nay some of them will point at the tenor of the promise in the note, which perhaps runs thus, as I have seen in some cases, "*The President, Directors, and Company of* ——— *Bank, promise to pay to Peter Gudgeon, or Bearer, Ten Dollars according to the articles of this association, and not otherwise.*" Now the articles of association thus referred to, may, for aught I know, stipulate that he shall be paid in ten dollars worth of moonshine, or old rags, or in old *Continental Dollars*, or in bank notes, which, if things go on as they have done, much longer, will be of about equal value."

The poor little Frenchman fell into a short reverie, and I dare say, thought of his pretty, bright, chinking, half-joes and doubloons in the Savannah Bank.

"But where will the poor man get at last with his rags," said he.

"He will at last," I replied, "come round and round to the old starting place, after being sent from one to another, and bandied about, like the pig in the story. They will all be ruined together, and go one after the other. The butcher will begin to kill the ox—the ox will begin to drink the water—the water to quench the fire—the fire to burn the stick—the stick to lick the pig—but the pig wont go to school, until it is too late to profit by the lesson."

"Oui"—ejaculated the little Frenchman, who, like Sancho, seemed to have a bundle of proverbs in his belly—"Oui—Pas à pas, on va biên loin—a barbe de fol on apprend à raire*—a man who swallows rags at this rate must be un sot à triple etage†—a bon chat, a bon rat‡—a parcel of rogues playing on the credulity of a parcel of fools—n'emporte." [No matter.]

We now arrived at Brunswick, where we slept, taking the steam-boat the next morning for New York. In paying my bill, I received from the master of the house, some notes which, when I offered them in the steam-boat, I found had depreciated three or four per cent. within a distance of one mile. At this rate, thought I, before I get to New York they will be worth nothing. So I called for plenty of wine at dinner, in order that my money might not be lost. There was a genteel looking man who sat at table with us, and was very civil. But as soon as my companion discovered he was a Bank Director, I thought he would have eaten him up. He eyed him with infinite contempt—turned up his nose with a most petulent curl—took snuff at him with a look of most tremendous hostility—and repeated to himself—"Quel foutre!" [What a scoundrel!]

At New York the little Frenchman got specie, and bills of exchange on Boston for his bank notes, at a discount, I think, of twenty-two per cent., for nothing could induce him to touch any more of the "dirty rags," which was the only name he condescended to call them by. "Ah, Monsieur," said he, "I don't know what I have done to be thus murdered by cent per cent.—but a bon chien il ne vient jamais un bon os."§ I now see "le dessous des cartes,"‖ and shall take care how I am caught again."

I comforted him by showing how he could retrieve all his losses, by turning about when he had finished his business at Boston, and *shaving* his way back to Savannah, by which means he would turn the tables upon them all. He was delighted with this idea, shook hands with me in high glee, and I never saw him more.

PENNSYLVANIA.

According to an Italian proverb, "When the ship is lost every sailor knows how she might have been saved." There were, however, in Pennsylvania, not a few who, when the work of "internal improvement," was commenced, knew the manner and pointed out the way in which the ship of State might be saved. They urged the

* To the extinguishing of the candle—to the close of the business.

† A blind alley—when you get where you can go no farther.

* Yes—step by step we can go a great ways—one learns to shave on the beard of a fool.

† A blockhead of three stories high—a consummate fool.

‡ A good cat for a good rat—they are well matched.

§ A good bone never comes to a good dog.

‖ The under part of the cards—the trick of the game.

immediate imposition of taxes, sufficient to pay the interest on such debt as might be annually incurred. If their advice had been followed, no more works would have been begun than it would have been in the power of the State to complete: and lavish expenditures would have been avoided. Feeling the burden of taxation, the people would have watched carefully the application of the public funds. No Gettysburg rail-road would then have been begun. And the commencement of other rail-roads and canals would have been postponed till the increase of wealth and population would have justified such undertakings.

Other counsels prevailed, and the result is that the State is *bankrupt*. The Governor may *force* another loan from the banks, sufficient perhaps to pay the interest on the public debt due on the 1st of February last: but the contraction of even a *voluntary* loan to pay interest, is a violation of the best established principles of finance, and a *forced* loan is still more objectionable.

But even supposing enough money extorted from the banks to pay the February dividend, still the credit of the State will not be maintained. It owes large sums to the laborers on the public works, to those who have supplied wood for the locomotives on the rail-roads, and to others. The editor of the West Chester Republican says he knows of "laborers on the public works, with large families, with from *eight* to *ten* months wages due to them." The claims of these men are quite as sacred as those of the fund-holder.

Nor is the prospect of the revival of the State credit very encouraging. The amount received from tolls on the rail-roads and canals, is very considerable, but it seems the whole amount is required to pay the expenses of superintendance, and keep the public works in repair. Some revenue will be got by taxation; but as the State is bound to receive its own *bills of credit* or "relief notes" in payment of taxes, it can do nothing more during the present year than redeem such portions of the public debt as are represented by "the relief notes."

The banks have ruined the State: and the State has ruined the banks. Such are the blessed fruits of a connection of Bank and State.

PHILADELPHIA.

It was thought by some that all that was necessary to enable the Philadelphia banks generally to resume specie payments, was "to throw the Girard Bank overboard." Thereby, said they, "the currency" of the city will be so much reduced in quantity, that what remains of it will be of equal value with silver.

The error consisted in not considering that questions of this kind are not questions of *quantity* only, but *quantity* and *quality* combined.—The Girard Bank was "thrown overboard," and the Pennsylvania also; and thereby the amount of current bank credits, was suddenly reduced two or three millions. Yet the residue of our "currency," instead of rising, fell in value, as compared with specie.

Before the explosion of the Girard Bank, exchange on New York was at about 5½ to 6½ premium. And specie bore about the same premium in bankable paper. Since the explosion, exchange on New York has been at 8 per cent. premium, and specie as high as 10 or 12 per cent. premium.

The reduction of our "currency" in amount has had no tendency to raise it in value, because it has been brought about in such a way as to shake confidence in all kinds of bank securities. Specie bears a higher premium than exchange on New York, because there is a greater demand for real money as an *investment* than to pay debts, or to make purchases at the eastward. Men know not in what else they can make investments, with any degree of safety. State stocks are daily falling in value, and not without reason. So also are bank stocks. The United States Government is acting on principles of policy, which, if persisted in, will, in a few years, reduce its securities to a level with those of the States. Houses and lands must fall in price. So also must commodities generally. In what else then, than gold and silver, can men make investments, and rest assured that they will, for any length of time, retain their value? The result is, that large amounts of specie are brought from New York, and still larger amounts will be brought from foreign countries, if the present state of public feeling long continues.

RELIEF NOTES.

In June last, the General Assembly of Pennsylvania, authorized the issue of certain State *bills of credit*, or "relief notes," as they are called, and gave currency to them by providing that they should be received not only in payment of debts due to the State, but in payment of debts due to the banks employed to issue them. As the stock of the State in which these bills were to be funded, was then 20 per cent. below par, they would, if they had passed at all, have passed *immediately* at a considerable discount, if they had been receivable *only* in payment of debts due to the State. But as they were receivable also in payment of debts due to the banks, they obtained currency at bank par.

One of the effects of these issues was to diminish sensibly the amount of specie in circulation. Still they answered the purposes of a mere *circulating medium*, imperfectly indeed, but they had a value as such, and the people had given value for them.

Suddenly a bill is introduced into our House of Assembly, to compel the immediate resumption of specie payments; and this bill contains a proviso that "the relief notes" shall no longer be a tender for debts due the banks, but only for debts due to the State. This at once deprives "the relief notes" of great part of their value. They cease to be currency, and become merchandize. They fall from bank par to 50 or 75 cents on the dollar.

Some persons are disposed to regard this as a trifle; and it is a trifle to the rich man, who has but few of these notes on hand. But it is no trifle to the laborer who can earn but 50 cents a day, and cannot find steady employment even at that low rate. It is no trifle to the poor widow, who can earn perhaps but one dollar a week.

The kings of France and England used to do

great injustice by sudden alterations in the weight, and consequently the value, of the current coin. Republican legislators in modern times, do as much injustice by the violent alterations they make in the value of the paper money created under their auspices.

BANK OF THE UNITED STATES.

Mr. Jaudon, who was, with others, bound over by Recorder Vaux, to answer a charge of defrauding the stockholders of the United States Bank, had his case brought before Judge Randall, by means of a writ of habeas corpus.

Among the witnesses brought forward on this occasion, was Ashbel Green Jaudon, a brother of the accused. He testified that "N. Biddle and Samuel Jaudon entered into a partnership in the great *cotton speculation*, and furnished him, the witness, with funds of the bank to carry on the business as their agent. Under this arrangement, he obtained at different times, about two millions of dollars from the bank, with which he purchased cotton and tobacco at New Orleans. He was allowed two per cent. commission on these purchases—and stated that this charge was added to the original cost of the merchandize. The goods were then shipped by him to the most eligible European markets and sold. Besides the commission allowed him for purchasing the cotton and tobacco, which amounted to about $40,000, the witness said he received a "bonification commission" on the return or proceeds of sales, which amounted to upwards of $20,000 more—making his compensation as agent rising $60,000. The money was obtained from the bank by credits passed to the witness' account, on tickets or orders signed by Mr. Cowperthwait, Cashier. The profits arising to the principals in this transaction, amounted to about $50,000—which was equally divided between them. The witness said he paid the $25,000 due to Mr. Biddle himself; the remainder was passed to his credit, he being then in London.

"It also appeared in evidence before the judge, that this business was conducted through the Committee on Foreign Exchanges, and apparently with their knowledge and consent; but two of the gentlemen who were members of that committee at the time, testified that they were wholly ignorant of the nature of the transaction, and would not have permitted it, if they had known it."

BANK FAILURES.

The Alexandrian Company at Granville, Ohio, is broken; and so also, if the information we gather from the Mount Vernon Democrat is well founded, are the Urbana and Lancaster, Ohio, Banks. Great distrust is felt of many other banks in Ohio.

PRICES OF BANK NOTES.

According to the Philadelphia Commercial List, the prices of bank notes in the city, on Saturday, February 11th, were as follows; estimated in city currency, and that currency from 8 to 12 per cent. below specie par. New England notes, 6 a 8 per cent. prem. New York, city, 9 prem. New York, country, 4 a 9 prem. East Jersey, 8 prem. West Jersey, par. Delaware, par. Baltimore, 3 prem. Other Maryland notes, par a 3 dis. District of Columbia, 2 prem. Virginia, 6 dis. Western Virginia, 20 dis. North Carolina, $1\frac{1}{2}$ dis. Charleston, S. C., 4 prem. Other South Carolina notes, 1 a 2 prem. Georgia, 2 a 40 dis. Alabama, 9 a 10 dis. Louisiana, $3\frac{1}{2}$ a 15 dis. Mississippi, 20 a 80 dis. Tenessee, 12 a 15 dis. Kentucky, 10 dis. Ohio, 10 a 15 dis. Indiana, 15 a — dis. Illinois, 25 a — dis. Missouri, 10 dis. Michigan, 10 a 18.

We look upon many of the quotations as merely nominal.

United States Bank notes were, on that day, at 45 dis., in currency. Girard, 30. Pennsylvania, 8 a 10. Other city notes at bank par. The notes of the country banks were at various rates of discount, from 2 to 5 per cent.; except West Branch at Williamsport, which were at 40 dis. Erie, 25 dis. Towanda, 60 a 70 dis.

Of all our *commodities*, our *money* is that which at present fluctuates most in value.

At New York, on the same day, the prices of bank notes were as follows:—New England notes, $\frac{3}{8}$ a $\frac{1}{2}$ dis. New York, country, $\frac{1}{2}$ a $1\frac{1}{2}$ dis. East Jersey, — a $\frac{1}{2}$ dis. West Jersey, — a 7 dis.—Philadelphia, 7 a 10 dis. Pennsylvania, 7 a 10 dis. Delaware, 8 a 10 dis. Maryland, — a 5 dis. D. of Columbia, — a 5 dis. Virginia, — a 8 dis. Western Virginia, — a — dis. North Carolina, — a 6 dis. South Carolina, 3 a $4\frac{1}{2}$ dis. Georgia, — a 10 dis. Alabama, 20 a — dis. Louisiana, 10 a 25 dis. Mississippi, — a — dis. Kentucky, — a 12 dis. Ohio, — a 20 dis. Indiana, — a 17 dis. Illinois, 20 a 25 dis.

RATES OF EXCHANGE.

At New York, on the 11th of February, bills on London were $7\frac{1}{2}$ a $8\frac{1}{4}$ prem. Paris, 5f. $28\frac{3}{4}$ a —. Amsterdam, $39\frac{1}{2}$ a $39\frac{5}{8}$. Hamburg, — a $35\frac{5}{8}$.—Bremen, 77 a —.

Bills on Boston, par a $\frac{1}{4}$ dis. Philadelphia, $8\frac{1}{2}$ a 9 dis. Baltimore, $2\frac{1}{2}$ a 3. Richmond, 10 a 11. North Carolina, 5 a $5\frac{1}{2}$. Charleston, $1\frac{1}{2}$ a $1\frac{3}{4}$.—Savannah, $2\frac{1}{2}$ a 3. Augusta, 4 a $4\frac{1}{2}$. Columbus, 16 a 17. Macon, 13 a 14. Mobile, 12 a $12\frac{1}{2}$.—New Orleans, 6 a $6\frac{1}{2}$. Louisville, 11 a 12. Nashville, 15 a 18. Natchez, 25 a 30. St. Louis, 15 a 16. Cincinnati, $13\frac{1}{2}$ a 14. Michigan, 7 a 10.

PRICES OF SPECIE.

At New York, Feb. 11th, half dollars, and American gold of new coinage, *par*. Mexican dollars, $\frac{1}{8}$ a $\frac{3}{8}$ prem. Spanish dollars, $2\frac{1}{2}$ a $4\frac{1}{2}$.—Five Franc pieces 93 a $94\frac{1}{2}$. Sovereigns, $4 85. Spanish Doubloons, $16 25 a $16 50. Patriot Doubloons, $15 70 a $15 90.

☞ Our thanks are due to gentlemen at Detroit, Michigan, and other places, for additions to our list of subscribers. Also to the Hon. Messrs. Benton and Woodbury, of the U. S. Senate; to the Hon. C. G. Atherton, of the U. S. House of Rep.; and to the Secretary of the State of Michigan, for public documents, and other papers.

☞ "The History of Banking from 1810-11 to 1814-15," begun in our last, is continued on the next pages. The immediate subject is the bill before Congress to incorporate the United States Bank.

The clauses in the bill to authorize the bank to suspend specie payments, and to compel it to lend thirty millions to government, were struck out: and the bill was further modified, by a provision that the whole of the stock should be subscribed by individuals, and paid, with the exception of the six millions in specie, in treasury notes to be hereafter issued. In this form it received the approbation of a large majority of the House: but a select committee, to whom it was referred, in one of its stages, received a letter from the Secretary of the Treasury, stating that the bill as amended would not answer the purposes of government. It would, he said, give to the holders of the public stock cause for complaint: and it would be very difficult, if not impracticable, to get into circulation, either with or without depreciation, the forty-four millions of treasury notes, which were afterwards to be subscribed as the capital of the bank. After being made acquainted with the views of the cabinet, the House rejected the bill, by a vote of forty-nine to one hundred and one.

A bill, drawn up in accordance with the views of the Treasury department, was then brought before the Senate. It proposed the establishment of a bank, with a capital of fifty millions, whereof five millions were to be paid in gold and silver, twenty-seven millions in six per cent. stock, eight millions in treasury notes, and ten millions to be subscribed by government. The bank was to be bound to lend thirty millions to government, and was to be authorized to suspend specie payments. In this form the bill passed the Senate on the 9th of December, by a vote of seventeen to fourteen.

In the House it was opposed with great ability by Mr. Webster and others, and rejected on the 2d of January, 1815, by the casting vote of Mr. Cheves, the speaker.

The next day this vote was reconsidered, and the bill was recommitted to a select committee, who, on the 6th of January, reported it with sundry amendments, reducing the capital of the bank to thirty millions, of which fifteen were to consist of treasury notes, and ten of public stocks; and striking out the clauses to compel the bank to lend thirty millions to government, and to authorize it to suspend specie payments. The bill thus amended was passed by the House on the 7th of January, by a vote of one hundred and twenty to thirty-seven.

When the bill was in this form returned to the Senate, that body increased the capital of the bank to thirty-five millions, and restored the clause authorizing the bank to suspend specie payments. In this the House refused to concur, and the Senate finally receded from its amendments.

The bill having thus passed both Houses, was sent to President Madison, but he put his *veto* on it. His objections were:—"The amount of stock to be subscribed will not, it is believed, be sufficient to produce, in favor of the public credit, any considerable or lasting elevation of the market price. Nor will any adequate advantage arise to the public credit from the subscription of treasury notes. The actual issues of these notes nearly equal, and will soon exceed, the amount to be subscribed to the bank. The bank will be free from all obligations to co-operate with public measures." [The meaning of this is, the bank will not be compelled to lend thirty millions to government.] Lastly: "The proposed bank will commence and conduct its operations under an obligation to pay its notes in specie, or be subject to the loss of its charter. Without such an obligation, the notes of the bank, though not exchangable for specie, yet resting on good pledges, and performing the uses of specie in the payment of taxes and other public transactions, would, as experience has ascertained, qualify the bank to supply at once a circulating medium, and pecuniary aid to government. Under the fetters imposed by the bill, it is manifest that during the actual state of things, and probably during the war, the period particularly requiring such a medium, and such a source for loans and advances to government, notes for which the bank would be compellable to give specie in exchange, could not be kept in circulation."

Another bill was then got up in the Senate to establish a bank, with a capital of fifty millions, of which five were to be paid in gold and silver coin, fifteen in six per cent. stock, twenty in treasury notes, and ten to be subscribed by government. In one paragraph it was declared, "the said corporation shall be bound to lend to the government of the United States, reimbursable at their pleasure, thirty millions of dollars, in such sums, and at such periods as may be convenient to the government of the United States." And in another paragraph it was expressly provided that "until the first Monday in April, 1816, it shall not be obligatory on said corporation to pay its notes in specie." Authority was also given to Congress to authorize in certain contingencies, "the suspension of specie payments, for such time or times as they may deem proper."

This bill, which was framed in accordance with the views of Mr. Madison and of his cabinet, was passed by the Senate on the 13th of February, by a vote of eighteen to sixteen.

It was then sent to the House, where, after some debate, it was, on the 17th of February, indefinitely postponed, by a vote of seventy-four to seventy-three.*

The news of peace was received on the 13th of February, and to the timely arrival of this intelligence we must attribute the delivery of the country from the curse of a national paper currency. If Mr. Madison and the gentlemen of his cabinet had been allowed to take their own way, we should have had a National Bank, with a *paper* capital of fifty millions, issuing *paper* redeemable *in paper*.

CHAPTER VIII.

Of Banking from 1814–15 *to* 1815–16.

"At the time of the suspension of our city banks, a public meeting of merchants and others was held, who publicly sanctioned the measure, under a pledge given by the banks, that as soon as the war was terminated, specie payments would be resumed. That this measure was intended, is evident, from the curtailment of loans immediately consequent upon the suspension."†

"But, unhappily, the redemption of the pledge was not demanded by the public at the stipulated time, and the banks, urged on by cupidity, and losing sight of moral obligations in their lust for profit, launched out into an extent of issues unexampled in the annals of folly. The fulfilling of a promise to pay money, by tendering another promise *equally false*, sanctioned by the public acquiescence, led to the organization of additional banks, under the act of March, 1814, which had not till then been attempted to be formed, and a scene of indiscretion in the loaning of bank credits was everywhere exhibited, which realized the anticipations of those who had foretold the ruinous effects of the paper system. Money lost its value. The notes of the city banks depreciated twenty per cent., and those of the country banks from twenty to fifty; and specie so entirely disappeared from circulation, that even the fractional parts of a dollar were substituted by small notes and tickets, issued by banks, corporations and individuals. The depreciation of money enhancing the price of every species of property and commodity, appeared like a *real* rise in value, and led to all the consequences which are ever attendant upon a gradual advance of prices. The false delusions of artificial wealth, increased the demand of the farmer for foreign productions, and led him to consume in anticipation of his crops. The country trader, seduced by a demand for more than his ordinary supply of merchandize, was tempted to the extension of his credit, and filled his stores, at the most extravagant prices, with goods vastly beyond what the actual resources of his customers could pay for; whilst the importing merchant, having no guide to ascertain the real wants of the community, but the eagerness of retailers to purchase his commodities, sent orders abroad for a supply of manufactures wholly disproportioned to the effective demand of the country. Individuals of every profession were tempted to embark in speculation, and the whole community was literally plunged in debt. *The plenty of money*, as it was called, was so profuse, that the managers of the banks were fearful that they could not find a demand for all they could fabricate, and it was no unfrequent occurrence to hear solicitations urged to individuals to become borrowers, under promises as to indulgences the most tempting. Such continued to be the state of things until towards the close of the year 1815."‡

The Secretary of the Treasury negotiated with the banks as independent sovereignties. His first effort was "to associate them with a view of furnishing a uniform national currency."§ It is almost needless to say that this effort did not succeed.

His next attempt was, "by their agency in circulating treasury notes, to overcome the inequalities of exchange." This, he says, was but "partially successful."

He then proposed a plan, "with the design to curtail the issues of bank notes, to

* Legislative History of the United States Bank.

†This meeting was composed principally, if not exclusively, of owners of bank stock, and of debtors to the banks; and the great body of the public, knowing little of the nature of banking operations, acquiesced in the measure. Peace was restored in *less* than six months after the banks of the Middle States had suspended payment. So confident were some of the public that these institutions would then redeem the solemn pledge they had given, that "the chests and secure places were unlocked, and hard money was again in the market at three or four per cent. above par." Even in May the discount on Philadelphia notes was only five per cent.: but the banks, under one pretext or another, refused to open their vaults, and the paper sunk, by June, to nine, and by November, to sixteen per cent. below par.

‡ Mr. Raguet's Report to the Senate of Pennsylvania.

§ Proposition relating to the National Circulating Medium, December 6th, 1815.

fix the public confidence, and to give each bank a legitimate share in the circulation." What the particulars of this plan were, he has not stated: but it is evident from the context, that it was through the free-will of the banks he sought to carry it into execution. He soon found that a plan which was not fitted to promote their particular interests, was "not likely to receive their general sanction. The truth is," he adds, "the charter restrictions of some of the banks, the mutual relation and dependance of the banks of the same State, and even of the banks of the different States, and the duty which the directors of each bank conceive they owe to their immediate constituents upon points of security or emolument, interpose an insuperable obstacle to any voluntary arrangement, upon national considerations alone, for the establishment of a national medium, through the agency of the State banks." The plain English of this is, that the directors of the banks esteemed it a "*duty*" to make as much profit as they could, and government did not see fit to interfere with them in the discharge of this sacred "duty."

In the effort "to overcome the inequalities of exchange, by the circulating of treasury notes, through the agency of the banks," government did indeed make some exertion of its power. The secretary issued an order, declaring that, after the first of August, nothing should be received in payment of duties but specie, treasury bills, and the notes of such banks as would receive treasury bills in deposit at par. "The effect of this plan," says a contemporary writer,* "was clearly forseen by all who fairly understood the subject. What was the result? In places where treasury bills were in the market, at or above par, the banks agreed to receive them: whereas, where they were below par, the proposition was rejected."

But this measure had not simply a negative effect. It increased the mass of bank paper in circulation, and thereby still farther vitiated the currency. This is abundantly proved in a pamphlet entitled "An Appeal to the Public," published at New York, in December, 1815.

In this pamphlet, Mr. Isaac Bronson, the author, states the active capital of the banks of the city of New York to be thirteen millions five hundred and fifteen thousand dollars, and computes the amount on which they were drawing interest, to be twenty-two or twenty-three millions. "Admitting it to be twenty-two millions, it follows that the banks make dividends on a sum which exceeds their active capital about *eight* millions and a-half, yielding the stockholders about half a million in dividends. This profit is derived from their mere credit, without any cost or consideration whatever. Of the eight and a-half millions excess beyond their capitals, five millions have been issued in the purchase of, and in exchange for, government securities of various sorts, bearing interest.

"We have been speaking hitherto of '*the* banks,' as if no distinctions were to be made between them. It is now time to make the proper discrimination. Among each other the directors have already, in their conversation, fallen into the familiar distinctions of the 'debtor banks,' and the 'creditor' banks. By the former, are meant those whose paper has accumulated in the latter, to an amount which cannot be taken up. The debtor banks, the banks who are indebted to the others, have become so indebted, because they hold large amounts of public securities, bearing interest, for which they have issued their bank notes to *government*, and which notes have found their way into the other banks. To keep the creditor banks quiet, however, and as much as possible in good humor, it has been stipulated that they shall charge interest on these accumulations. The practical effect therefore is, that the debtor banks make their profit by trusting *government;* and the creditor banks make theirs' by trusting the debtor banks. The debtor banks give out their notes in exchange for treasury notes, bearing interest; and the creditor banks charge interest on the notes they receive of the debtor banks. But if these notes accumulate in the hands of individuals, no interest is allowed *them*, unless they compel its payment by law. And thus the banks have established a rule of justice towards each other, in itself very correct, but which they refuse, however, to extend to the rest of the community.

"It is important to our subject that the reader should clearly understand the course of the banks in relation to treasury notes. We hope, therefore, to be pardoned for what to some may appear unnecessarily minute.

"Some months since, the Secretary of the Treasury proposed to all the banks in the United States, that they should receive treasury notes when offered them, and give their own notes in exchange for them: accompanying this proposition at the same time by

* Inquiry into the causes of the present state of the Circulating Medium. Philadelphia, August, 1815.

a threat, that the treasury should not receive the paper of those banks which did not receive treasury notes! At a meeting of a select committee of our banks, appointed to consider these propositions, it was resolved not to agree to them. *Three* of the banks, and of course they are the three who have been called, because they have become, the *debtor banks*, did afterwards, however, by a private and separate arrangement, made by agents sent to Philadelphia on purpose, agree to these propositions, without the consent or knowledge of the five other banks; so that these banks now receive treasury notes from any one who presents them, and issue their bills in exchange for them when required. And here, we submit to the reader, whether it does not necessarily and inevitably follow, that these banks have parted with all power of control over their issues? That department of the bank has been abandoned to the Secretary of the Treasury; for it is very clear, that he may to-morrow, if he pleases, cause these banks to add twenty millions to that excess of paper, which is the true cause of depreciation. That this excess is continually increasing, is most notorious: to what *extent*, is one of those bank secrets which all their caution has not prevented us from penetrating.

"Among others, this singular and ludicrous consequence has followed: The United States take only the bills of those banks which cannot keep their accounts even with the other banks; and refuse to receive the bills of those banks which are immense *creditors* of the banks whose bills *are* received.

"And the practical result will be, that so long as the notes of these banks continue to be worth more than treasury notes, so long will treasury notes continue to be presented and bank notes issued in exchange for them. When the bank notes, from the quantity afloat, become degraded below treasury notes, this practice will cease. But the affairs of the banks will be, by that time, utterly irretrievable, and they will follow the fate of all the banks which have been mere machines of government.

"It appears from the reply to the Connecticut banks, that in July, the *commercial* loans had been reduced nearly three millions below what their amount was when payments were suspended. But it is at the same time acknowledged, that the whole amount of loans had been increased *three* per cent. on the capitals of the banks: and this *before* the system of receiving treasury notes was adopted. The effect of that system, as we have been recently enabled to ascertain, has been to produce in the creditor banks an accumulation of the notes of the debtor banks of between two and *three millions:* although the balances, when payments were suspended, were less than three hundred thousand."

The plentifulness of "money," whether caused by the banks trafficking with the government, or by discounts to private persons, was very acceptable to the great mass of the people. The banks of Pennsylvania added ten millions to the amount of their loans in the course of the year, and the banks of some of the other states were equally liberal, if not more so. Never before had the country exhibited such an *appearance* of prosperity. The unequal value of the bank notes of different districts, was productive of some inconvenience, but this was not sufficient to counterbalance the advantage of a general rise of prices, and the briskness of nearly every kind of business.

"We cannot," says one writer, "see, with some honest calculators, how the continuance of the present state of things can affect the interests of the country. If specie has been withdrawn from circulation, it is because it has been occupied abroad in a more profitable employment than it was engaged in at home. Its exportation has added to the stock and wealth of the nation, by the purchase of merchandise abroad, worth more than the specie itself. *To be sure we are subject to some inconveniences in our transactions at market, and in petty dealings; but as we become accustomed to the use of paper money, the disadvantage will vanish.* All large mercantile negotiations are conducted as they have heretofore been, by bank notes, or checks upon banks. As to the agios of exchange, where balances are due, they must of necessity continue: but before long they will be so completely understood, as to occasion no embarrassment. The merchant who sells his goods for foreign notes, will add to the price of his goods the amount of the loss he sustains upon the notes, and the purchaser will eventually discover, that the difference which he must pay for his goods, at a place where his bank notes are at *a discount*, and at a place where they are *at par*, is at least equal to the agio on his notes. As to the solidity of the banks, the suspension of specie payments has produced no alteration. Although the banks do not pay specie for *any* of their notes,

yet the time never has been when they could pay specie for them *all:* for a bank that keeps on hand a sufficiency of specie to meet all its debts, can never divide six per cent. interest. The very principle upon which it is founded, requires that it should trade beyond its capital. But the banks have the same means of discharging all their notes as they ever had, viz: claims upon individuals who have borrowed their *money*, and who are now as able to pay as ever they were, if not in specie, in merchandise and property of equal value."*

In March, 1816, Mr. M. Carey addressed a series of letters to the directors of the Philadelphia Bank, some extracts from which will elucidate the state of affairs, and the state of feeling.

"Blessed peace at length arrived. . . . About the middle of May, 1815, the first vessel from Great Britain entered the port of Philadelphia. She was quickly followed by others. They were all full freighted with the most costly productions and manufactures of that country. The news was rapidly conveyed into the interior. The country storekeepers thronged to the city in crowds. Never, probably, were there so many here before at one time. The number has been calculated, and I believe correctly, at two thousand.

"They were all eager to purchase—apparently fearful of not being able to procure adequate supplies—and each providing himself as largely as if he were to have the monopoly of the trade of his neighborhood.

"Thus, although the importations were uncommonly great, they were sold off rapidly. The advances on the invoices were universally high. And some of the importers made independent fortunes on single cargoes.

"This was the golden age of Philadelphia. The rapid circulation of property—the immensity of business done—and the profits made on that business, produced a degree of prosperity which she had, perhaps, never before witnessed. Almost every man in every kind of business, was employed advantageously for himself and for the community. And so high were the prices of imported articles generally, that domestic manufactures appeared likely to stand the shock of competition.

"Of the immense quantity of business done in this city during the last year, some idea may be conceived from the astonishing fact, that the real *bona fide* auction sales on which duties were paid, amounted in about eight months to near ten millions of dollars. As this kind of business was principally carried on upon credit, it may readily be conceived that it must have created an inordinate quantity of promissory notes. During the first epoch, (the months of May, June, July and August,) which I have styled, and I think justly, the golden age of Philadelphia, there were few of these notes offered at the banks which were not discounted. The banks were in a most liberal mood. Few men of fair character experienced refusals. Instances occurred of notes being discounted at the different banks for thirty, forty, fifty, sixty and seventy thousand dollars. Cases of this kind were not, I believe, very numerous. But enough of them did occur, to establish the fact of the extreme liberality that prevailed on the subject of discounts.

"The banks have been censured, and very severely, for the extension of their discounts at this period. They have been charged with taking advantage of the suspension of specie payments, with over-trading and over-issuing of notes.

"Superficial reasoners have carried these allegations to a great extent—and have not scrupled to brand this conduct as fraudulent. These charges are highly unjust, except, perhaps, so far as respects those immoderate notes above mentioned. These I do not undertake to defend."

Mr. Carey then attempts to refute the opinion of those "superficial reasoners" who maintained that the banks had over-traded. "Never," in his opinion, "was a country in a more enviable state." The only cause of complaint he had against the banks was, that in the month of September they began to curtail mercantile accommodations, whereby, in the months of October and November, there was a considerable fall in the price of British goods. The necessity for this curtailment, Mr. Carey shows to have arisen from the extensive dealings of the banks in government securities, thereby confirming the statements of Mr. Bronson. The published accounts show that seven of the banks of Philadelphia, having nominal capitals of the amount of seven million seven hundred thousand dollars, had invested about three million five hundred thousand dollars in government stock.

* Inquiry, &c., Philadelphia, August, 1815.

CHAPTER IX.

Of Banking from 1815-16 *to* 1816-17.

The *bona fide* revenue of government for the year ending December 31st, 1815, was only fifteen million seven hundred thousand dollars, and the charges on government in the same period amounted to upwards of thirty-nine million dollars: but with so much skill did the high officers of State exert those powers of financial metamorphosis which the funding and treasury note system gave them, that there was, at the end of the year, a balance in the treasury of upwards of *thirteen millions of dollars.*

The grand secret by which this balance was produced, was that of exchanging treasury notes, many of which bore interest for inconvertible bank notes which bore no interest. The officers of the treasury seemed highly pleased with the result of their operations: yet they found a difficulty in applying the balance where it was most wanted. But little of the money with which the treasury overflowed would pass current thirty miles from the seat of the banks that had issued it, and paying the discount was a clear loss to government or the creditors of government. As was observed in a former chapter, the disadvantages arising from the various values of bank notes, were not, in the case of individuals, sufficient to counterbalance the advantages arising from the advancing price of real estate, and the universal briskness of business. The time for general suffering, through the necessary reaction of the system, had not yet arrived.

The want of uniformity appears to have been the only evil the officers of government discovered in the state of the currency. If the depreciation had been uniform, as it was in England, there is no reason to believe they would have complained.

In his message to Congress, on the 5th of December, 1815, President Madison said, "It is true, that the improved condition of the public revenue will not only afford the means of maintaining the faith of the government with its creditors inviolate, and of prosecuting successfully the measures of the most liberal policy, but will also justify an immediate alleviation of the burdens imposed by the necessities of the war. It is, however, essential to every modification of the finances, that the benefits of an *uniform* national currency should be restored to the community. The absence of the precious metals will, it is believed, be a temporary evil: but until they can be rendered again the general medium of exchange, it devolves on the wisdom of Congress *to provide a substitute*, which shall equally engage the confidence, and accommodate the wants, of the citizens throughout the Union. If the operation of the State banks cannot produce this result, the probable operation of a National Bank will merit consideration: and if neither of these expedients be deemed effectual, it may become necessary to ascertain the terms upon which the notes of the government (no longer required as an instrument of credit) shall be issued, upon motives of general policy, as a common medium of circulation."

The Secretary of the Treasury, in his report on the 7th of December, entered at large upon the subject. "It is not intended," he said, "upon this occasion, to condemn generally the suspension of specie payments: for appearances indicated an approaching crisis, which would probably have imposed it as a measure of necessity, if it had not been adopted as a measure of precaution. But the danger which originally induced, and perhaps justified, the conduct of the banks, has passed away, and the continuance of the suspension of specie payments must be ascribed to a new cause." The secretary admitted the practicability of supplanting the paper currency by specie, and did not regard it as a very difficult operation. "But is it," he asked, "within the scope of a wise policy, to create additional demands for coin, and in that way to multiply the inducements to retain and import the precious metals of which it is composed? . . . . Even, however, if it were practicable, it has sometimes been questioned whether it would be politic, again to employ gold and silver for the purposes of a national currency. It was long and universally supposed, that to maintain a paper medium without depreciation, the certainty of being able to convert it into coin was indispensable: *nor can the experiment which has given rise to the contrary doctrine be deemed complete or conclusive.* But, whatever may be the issue of that experiment elsewhere, a difference in the structure of the government, in the physical as well as the political situation of the country, and in the various departments of industry, seems to deprive it of any important influence as a precedent for the imitation of the United States."

Lord Stanhope had laid it down as a

principle, "that a pound sterling being the abstract value, by which the computed value of any object of consumption is measured, that value ought to be independent of the variable quantities of gold and silver, the representative signs of which may be found in circulation." In conformity with this doctrine, by which an *abstract idea* was made the standard of value, the British Government had imposed a penalty on all who should presume to pay more than twenty-one shillings in bank paper for a guinea; and so very profound and ingenious a theory could not fail to make proselytes on this side of the Atlantic.

It was the delusion of the day. A host of British ministerial writers had taken much pains to prove that Bank of England paper was as good as gold, and even better than gold: and they had numerous copyists in America. Mr. Dallas, in admitting that inconvertible paper was not, whatever might be its abstract excellence, adapted to the situation of our country, was in advance of many of his contemporaries.

After the secretary had made his report, Dr. Bollman issued a pamphlet,* in which he declared: "The paper of the Bank of England preserves a value, as steady perhaps as any attainable, whilst the precious metals, like other commodities, fluctuate around this standard: and the system now in force, after an experience of eighteen years, is found so perfectly satisfactory, that the greater number of the most zealous bullionists, convinced of their former error, begin to doubt whether the resumption of specie payments would be at all expedient, should even no difficulty whatever stand in the way of this measure." The Doctor proposed the establishment of a National Bank, the notes of which should be redeemable in United States six per cent. stock. His plan was to be completed by making the notes of the State banks payable, not in specie, but in the paper of the National Bank.

Mr. Carey pronounced the plan of Dr. Bollman a "*magnificent*" one, and said "it would be a *sovereign* remedy for all the financial difficulties of the country."†

Another of the literati of Philadelphia, Mr. Walsh, published some essays in the National Intelligencer, in which he endeavored to refute, what he conceived to be, "the very fallacious and mischievous doctrines which some of the federal orators in Congress had recently uttered on the subject of a paper currency in general." Such, for instance, as the following: 'That paper not convertible can never have the quality of money.—That the ability of a bank to redeem, that is to pay specie, is the true criterion of excessive issues. That a paper currency is depreciated when it ceases to be of equal value with gold and silver. That the suspension of specie payments by the Bank of England in 1797, led to a depreciation of its paper.—That the rise of specie, and a general increase of prices, are the certain indications of depreciation,' &c.—"All which propositions," said our American anti-bullionist, "derived from the report of the English bullion committee, were most triumphantly refuted, in the discussions to which that report gave birth, in and out of parliament, and are now in England considered as absolutely exploded."

Mr. Carey, and Mr. Walsh, appear to have afterwards changed their views of the nature of inconvertible paper: but Dr. Bollman was, if we may judge by his latest publications, inflexible in error.

A new light was now, however, breaking on the people. To borrow the language of the committee of the Senate of Pennsylvania, "towards the close of the year 1815, the doctrine so generally taught, and so generally received by the great mass of the community, that the paper currency was not depreciated, but that specie had risen in value, began to be abandoned. The intelligent part of the people became convinced that, although the nominal prices of property and commodities had been advanced, the substantial wealth of society had absolutely diminished."

In Congress there were few, if any, open advocates of inconvertible currency.

On the eighth of January, 1816, a bill was reported to establish a Bank of the United States. The bill was, word for word, nearly the same as that which had been brought before the House in 1814, excepting that it made the capital thirty-five millions instead of fifty, contained no provision to compel the bank to lend to government, and did not directly sanction a suspension of specie payments.

On the 26th of February, the House proceeded to consider the bill in committee of the whole, and Mr. Calhoun addressed them at length in support of the measure.

"There had been," he said, "an extraordinary revolution in the currency of the country. By a sort of under current, the power of Congress to regulate the money of the country had caved in, and upon its ruin had sprung

* Plan of an improved system of the money concerns of the Union. Philadelphia, Jan. 16, 1816.

† Letters to the directors of the banks, March 27th, 1816.

up those institutions which now exercised the right of making money in and for the United States: for gold and silver are not the only money, but whatever is the medium of purchase and sale, in which bank paper alone was now employed, and had therefore become the money of the country. A change, great and wonderful, has taken place, which divests you of your rights, and turns you back to the condition of the revolutionary war, in which every State issued bills of credit, which were made a legal tender, and were of various values. We have in lieu of gold and silver a paper medium, unequally but generally depreciated, which affects the trade and industry of the nation: which paralyzes the national arm: which sullies the faith both public and private of the United States. According to estimation there were in circulation, within the United States, two hundred millions of dollars of bank notes, credits and bank paper, in one shape or other. Supposing thirty millions of these to be in possession of the banks themselves, there were, perhaps, one hundred and seventy millions actually in circulation, or on which they draw interest, while there were not, according to estimation, in the vaults of all the banks, more than fifteen millions in specie. The banks had undertook to make loans to government, not as brokers, but as stockholders—a practice wholly inconsistent with the system of specie payments. Of public stock the banks held, on the thirteenth day of September last, about eighteen millions and a half, and a nearly equal amount of treasury notes, besides stock for long loans made to the State Governments, amounting altogether to within a small amount of forty millions. If the banks would regularly and consentaneously begin to dispose of their stock, to call in their notes for the treasury notes they have, and moderately curtail their private discounts: if they would act in concert in this manner, they might resume specie payments. A National Bank, paying specie itself, would have a tendency to make specie payments general, as well by its influence as its example."

Mr. Ward, of Massachusetts, "acknowledged the correctness of the representation of the existing evil, for which he appeared to think the remedy was near at hand, and more simple in its application than the establishment of a National Bank, viz., by refusing to receive the notes of those banks which do not pay specie, in dues to government.—But for an alliance which he considered disgraceful to the country, and unjust to individuals, between the Secretary of the Treasury and the banks which refused to pay specie, the evil never would have existed."

Mr. Smith, of Maryland, "thought that, as far as he had information, the banks had not issued more notes than, from the amonnt of their capital, they had a right to do."—He was friendly to the proposal to establish a National Bank, but "he did not think it would do any harm, if the bank were to commence its operations without specie, but with an assurance in its charter, of payment of specie at a particular day. Such an assurance would make the bank notes equally good, in his eyes at least, as gold and silver." The National Intelligencer said that, "with these views Mr. S. concluded his *practical* speech."

Mr. Sergeant proposed to reduce the amount of the capital of the bank, from thirty-five to twenty millions. "With regard to the present time," he said, "he should be glad to know why the Treasury of the United States had not now the command of specie payments, and the rate of exchange in its own hands."

Mr. Ward thought that, "in the progressive state of the country, it was not very important whether the capital was thirty-five or twenty millions: the latter amount could be used with nearly as much effect for any mischievous purpose as the former—that sum would be quite sufficient to influence the destinies of the nation."

Mr. Tucker, of Virginia, was of opinion, that a capital of thirty-five millions would not be too large. "In New York," said he, "as I have understood, it is contemplated to put into activity an additional bank capital of fourteen millions. In the State which I have the honor to represent, efforts have lately been made to establish fifteen new banks, with a capital, I presume, of about seven millions. Do not these things prove that there is a fair prospect of profit?"

Mr. Webster said, "It was a mistaken idea that we were about to reform the national currency. No nation had a better currency than the United States—there was no nation which had guarded its currency with more care; for the framers of the constitution, and those who enacted the early statutes on this subject, were *hard money men;* they had felt, and therefore duly appreciated, the evils of a paper medium; they therefore sedulously guarded the currency of the United States from debasement. The legal currency of the United States was gold and silver coin: this was a subject in regard to which Congress had run into no folly.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, March 2, 1842. No. 18.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

REPORT OF THE EXCHEQUER COMMITTEE.

The Exchequer Committee of the U. S. House of Representatives have made a report which contains many truths.

After some preliminary remarks, the Committee give a short fiscal history of the United States. This is very well as far as it goes; but it is defective in not embracing the following particulars:

1st. In the Federal Convention, a proposition was made to give Congress the power to pass acts of incorporation, and it was rejected on the ground that Congress would then have power to incorporate a bank.

2nd. In the same Convention, two efforts were made to give Congress power "to emit bills of credit," and both were successfully resisted.

3rd. The first revenue act declared that dues to Government should be paid "*in gold and silver coin only.*"

4th. Alexander Hamilton, the first Secretary of the Treasury, within a very short period after the establishment of that Department, on his own responsibility, and in defiance of both law and constitution, gave instructions to the collectors of customs to receive payment of public dues "in bank notes not having more than thirty days to run."

Never since the organization of the Government, have the requirements of law and constitution, in regard to the Treasury and the treasure of the United States, been duly observed. And as it has been by the neglect or the violation of the plainest provisions of law and constitution, that the foundation has been laid of nearly all the pecuniary difficulties of the people and the Government, facts of so much importance ought not to be omitted in any fiscal history of the United States, however short that history may be.

The Committee then make some judicious remarks on the importance of a standard of value. They give us nothing new under this head, but their remarks are none the worse on this account, as what we want on subjects of this kind is not *novelty*, but *truth.*

These are followed by some observations on paper money banks, the utility of which appear to us to be overrated by the Committee. They seem, however, to be duly sensible of some of the evils these institutions produce.

The following remarks should command attention:

"It may well be doubted whether the bills so issued by the banks of the States, and constituting a currency, are not bills of credit within the meaning of the prohibition of the Constitution.

"Historically, it is demonstrable that the expression 'bills of credit' applied, in all the period anterior to the adoption of the Constitution, to these bills of banks. There were two forms of bills of credit, recognised in legislation, speech and writing, namely, 'government bills of credit,' and 'bank bills of credit.'

"It seems difficult to conceive how these two species of the same generic thing came to be considered so far different, as that one should be constitutional and the other not. To be a legal tender is not of the essence of either; that is, each had been issued extensively without being declared a legal tender; and in all other respects they are in effect and mischief the same; tending in the same way to excess, alike usurping the place of money, producing the same disorders in the currency, and having the same deleterious influence over the relations of labor and property.

"And it seems to be a strange anomaly of the

fundamental law, or, if not anomaly, then oversight, to provide that a State shall not issue bills of credit by the instrumentality of a legal person called its 'treasurer,' but may by means of a legal person called its 'bank;' in other words, that it cannot, and yet that it can, be the derivative source of the issue of bills of credit.

"Nor does it vary the principle, to enact that the bank shall consist in part, or in whole, of incorporated private stock. This appears by the practical fact of the times. Most of the banks of the United States, south of New York, have ceased to pay their bills in cash, a large part of them having failed to make any effective redemption for the space of more than four years. Their bills are an irredeemable paper currency. And their continued irredeemability has been legalized by State Legislatures, in many instances, as the means of procuring to the use of the State Government an issue of bills of credit with which to defray the charges of the State, instead of levying taxes on the inhabitants for that purpose. The State cannot issue bills of credit by its Treasurer; but it can and does by its banks; which is one great cause of the existing disorder in the currency of the United States."

The Committee then proceed to consider what *can* and what *cannot* be done in the present crisis by the Federal Government.

"It cannot assume and pay that great mass of individual indebtedness of the people of the United States, which now weighs them down.—It cannot by any direct act of legislation prevent unwise extension of credit, in time or amount, overtrading, speculation, &c., &c.—It cannot assume and pay the debts which the individual States have contracted on their own account.—It cannot command and compel the State Legislatures to cease to authorise the suspension of cash payments by the banks.—It cannot give to the country a paper currency in the bills of an incorporated joint stock bank; for the constitutional objections of the President, and of a considerable part of the members of the two Houses, and the people at large, constitute at present an insuperable impediment to the incorporation of a national bank.—It cannot equalize the exchanges throughout the country, so long as the currency of most parts of it consists of irredeemable bank bills in various degrees and stages of depreciation.—It cannot by any act of its own whatever, proceed *immediately* to fill the channels of commerce with a paper currency equal in rate of value to gold and silver, neither by means of a national bank, nor by any other instrumentality whatever.

"But the Federal Government can adopt the means to furnish a paper currency of par value, to take the place of the depreciated paper currency, so soon as that shall be driven or withdrawn from circulation."

The Committee then pass under review the leading arguments for and against a National Bank, the Deposit Bank system, and the Independent Treasury system, after which they bring forward their own plan. This may be described, in brief, as a Sub-Treasury system, having in connection with it *offices of deposit* and *exchange.*

The bill of the Committee is certainly much less objectionable than that presented to the House in the early part of the session, inasmuch as it contains no provision to authorise the issue of Treasury notes to serve as a *currency,* and as it furthermore prohibits the sale of Treasury drafts, except for *cash,* and authorises the *purchase* of bills of exchange only when necessary to transmit the public funds for public purposes. But whether the bill in all cases comes up to the requirements of the constitution, and whether it does not in some of its details transcend the powers granted by that instrument, are questions open to discussion.

REPORT OF COMMITTEE OF THE SENATE.

The Committee of the Senate, (Mr. Talmadge, Chairman,) have made a report which contains many truths, though, according to our views, fewer truths and more errors than the report made to the House of Representatives by Mr. Cushing.

There are, however, many passages in the Senatorial report to which we can give our most hearty concurrence—such, for example, as the following:—

The committee are of opinion that no paper should issue on the *credit* of the Government to circulate as currency.

There can be but two motives for the issue of such paper. 1. To anticipate the revenue to meet the engagements of the Government. 2. To aid the currency of the country by this addition to the circulating medium.

As to the first, the Committee hold it wrong in principle for the Government to anticipate its revenues by this means. Its tendency would be to excessive issues, and to a reluctance on the part of the Government to levy adequate duties for revenue. Either result would be in the highest degree derogatory to our national character. The revenues of the country should always be adequate to the economical wants of the Government, and the Government should never have occasion to anticipate its revenues. But, if an emergency should happen when its means are not sufficient to meet its engagements, it may get the authority of Congress, as has often been done before, to issue Treasury notes, not as a currency, but as a means of borrowing; Treasury notes, bearing an

interest, to be taken as an investment by capitalists, and not as a circulating medium for the people.

As to the second, the committee do not perceive how a currency issued on the *credit* of the Government can make any permanent addition to the circulating medium beyond the business wants of the country. Such a currency, if it could be put in circulation beyond those wants, would displace and send into retirement an equal amount of the local currency. So that the aggregate amount remaining would be the same as before. Any benefit to be derived by this better currency of the Government, if perchance a currency issued on its *credit* should eventually be better, would not compensate for the violation of what the committee deem a great and fundamental principle, namely, that no paper should issue on the *credit* of the Government to circulate as currency.

It is exceedingly gratifying, in times like these, to find the leading politicians of both parties taking a stand against a National currency resting on the *credit* of Government.

As to the plan proposed by the Committee of the Senate, it is like that proposed by the Committee of the House, a *Sub-Treasury system*, having connected with it offices of *deposit* and *exchange*. Both Committees propose that all notes issued, not bearing interest, shall be, dollar for dollar, the representative of specie actually in deposit. So far, so good, supposing the plan to be faithfully carried out. But the Committee of the House propose that the Exchequer offices shall have unlimited powers to *sell* bills of exchange for cash; and the Committee of the Senate propose that they shall have power to *collect* exchanges.

On either plan, the Exchequer offices would, of *necessity*, degenerate into *banks of discount*. Such an immense amount of exchanges as they would have to carry on, could not be effected without the purchase of bills on time.

PAPER MONEY BANKS.

It is a question with us whether paper money banks do most harm, when they pay specie, or when they suspend payment. To those who have never studied the *principles* of the system, this may seem a very strange question, but when they reflect on the fact that it is during the time they are paying specie that the banks lay the foundation of the evils we suffer during time of suspension, they may deem the question not unworthy of consideration.

Perhaps we shall be referred to the condition of the city of New York as evidence of the advantages that arise from the banks' paying specie. In New York, last year, between 900 and 1000 new houses were erected; and in Philadelphia, between 1300 and 1400. All that this proves is, that the prosperity of the country is so deeply seated in natural causes, that neither specie paying nor non-specie paying banks can prevent the increase of wealth and population.

There is much distress in Philadelphia. Is there less in New York? Since the resumption of specie payments, the paper currency of that State has increased in one year at the rate of 90 per cent., decreased in the next at the rate of 24 per cent.; increased in the year following at the rate of 25 per cent., and decreased in the year succeeding that at the rate of 40 per cent. Such fluctuations must necessarily have caused the ruin of hundreds and of thousands; but as "the banks continue to pay specie," their ruin is attributed to some other cause than banking operations.

"The doctrine," says Lord Liverpool, "that nothing is better than a paper circulation convertible into coin, is true to this extent—that if convertible into coin, the evil will cure itself; whilst one not convertible will lead to nothing but ruin. But how is the cure to be operated? By the downfall of thousands and hundreds of thousands, and the convulsion of all kinds of property. It is true that the evil carries its own cure, but with such terrible consequences that the cure is worse than the evil."

The notion, that so long as the banks pay specie, the amount of currency is just the same as it would be if only gold and silver coins were permitted to circulate, is all an illusion. Paper money is, even in its best estate, as Dr. Witherspoon used to say, "about as good a measure of value as a woollen thread would be of length." Under a hard money system, our currency would never fluctuate more than five per cent. per annum; seldom more than one, or perhaps a half per cent.—With banks paying specie, it may, as appears from the New York returns, and other evidences, fluctuate 20, 30, or 40 per cent.

So long, however, as the banks pay specie, the illusion is complete. Because the bank dollar never changes its name, the people think it never changes its value.

When the banks do not pay specie, the illusion is less complete. When their notes depreciate so much that a difference is made in the prices of commodities, when paid for in specie or in paper, the illusion is nearly dissipated. Then the bank note ceases to be regarded as *money*, and is looked upon as mere commercial paper. Then the people are not deluded by it in entering into contracts, and engaging in enterprises.

When the banks do not pay specie, a slice from every man's loaf of bread, goes to the banks or to the brokers. Where the banks pay specie, every other loaf of his bread may be taken bodily from a man, and yet it may be done so dexteriously that it may be impossible for him to tell how he lost his bread, or who has got it.

We do not say *absolutely* that paper money banks do more harm when they are paying specie, than when they are in a state of suspension: we only say the question is worthy of consideration. The immediate, sensible, palpable evils, are certainly greatest, when the banks are in a state of suspension: but these evils are not without

their advantages, inasmuch as they make those *feel* who cannot *reason*, and thus open their eyes to the nature of the system. Where the banks pay specie the illusion is so complete that but few even of those who have the power to reason, will make a proper use of that power. The delusive appearances of prosperity which are occasioned by expansions, deceive them in common with the rest of the multitude, and when contractions come, as come they must, they are apt to attribute the ruin that follows to any thing but its true cause.

For the last twenty years, the banks of Great Britain and Ireland have paid specie, and while so doing, have, to use the language of Lord Liverpool, "caused the downfall of thousands and hundreds of thousands, and the convulsion of all kinds of property."

With these views of the subject, we cannot engage heartily in any scheme of bank reform, which looks *merely* to a resumption of specie payments. It would be only substituting one form of evil for another. The people ought not to rest satisfied short of a *radical* reform, namely, the substitution of banking by *responsible* individuals for banking by *irresponsible* corporations: and the substitution of hard money and *bona fide* bills of exchange, for paper money bank promises.

PENNSYLVANIA.

The dividend due on the State debt has been paid by the Bank of Pennsylvania, with a *nominal* advance of 4½ per cent. for the difference between paper and specie: but in such kind of notes that those who received them had, in some instances, to sell them at a discount of 8 per cent., it is said, in order to realise the specie.

The next dividend is due in August. How it is to be paid, puzzles the wisest "financiers."

OHIO.

The Legislature of this State have passed an act requiring the banks to resume specie payments, and it is said about 22 of them are preparing to comply with the requisitions of the law. They have held a meeting by delegates at Columbus, and resolved by concert of action to sustain one another. Part of their plan is to require each bank "*to return the notes of all the others to a central point for exchange periodically.*" This is the Scotch system, and the system known in New England under the name of the Suffolk Bank system. It is the only system through which notes issued by a great number of banks can be kept at par with one another, and with specie, in different parts of the country. It ought to be adopted in all the States.

SPECIAL LEGISLATION.

We have seldom known efforts made to improve the currency by special legislation, that did not do more harm than good. The Legislature of Pennsylvania have, by one simple movement, legislated hundreds of thousands of dollars out of the hands of the industrious classes into the hands of the brokers, and before they have done with the business, they will probably cause some millions to take the same course.

However, in addition to the evils which paper money banking causes *per se*, we must expect others from the bungling, blundering legislation to which it leads, and bear up under them as well as we can.

PHILADELPHIA.

A year or two since, the capital of the Philadelphia banks, amounted in round numbers to about *fifty million* dollars. By the failure of the United States Bank, the Schuylkill, the Girard, and the Pennsylvania, the amount of capital has been reduced, according to an estimate in one of the papers, to about *seven million* dollars, or, if the selling price of the stock be considered as the true test of its value, to about *three millions.*

Persons at a distance may be inclined to ask "how is it possible for you to sustain yourselves in Philadelphia after such an immense loss of capital?" We reply that if every bank in the country should break to-morrow, the amount of *real wealth* would not thereby be diminished. Banks have seldom any real wealth in actual possession, except their real estate, their furniture, and their specie. The breaking of a bank does not drive this wealth out of existence. The rest of the assets of a bank, consist of promissory notes, bonds and mortgages, &c., which are *liens* on the real wealth in the possession of individuals. This remains the same, after a bank is broken, as it was before.

But, though this breaking of four of the principal banks of Philadelphia has not diminished the amount of real wealth in actual possession of *the community*, it has seriously affected the fortunes of *individuals*, by depressing in value the claims they had in the form of bank notes, bank deposits, and bank stock, on real wealth, in the possession, or *supposed* to be in the possession, of others. If they have given full value for the stocks, notes, and deposits, the loss to them is just the same as if so much real wealth, actually in their possession, had been destroyed by fire.

We are able to bear this loss, because it is divided among a great many, and persons at a distance share it with us. A very large part of the capital of the Bank of the United States was held abroad; perhaps not more than three or four millions by the citizens of Philadelphia, at the time of the explosion. Of the stock of the Bank of Pennsylvania, one million five hundred thousand dollars worth, was held by the State.

Still, if we take into account the losses sustained by citizens of Philadelphia, on Vicksburg, and other stocks, we shall find that the aggregate losses sustained by them in the last two years, on what they regarded as *permanent investments*, cannot be less than *fifty million dollars* Divide this equally among the inhabitants of the city and county, and it will amount to about two hundred dollars to each. If the loss had been divided equally, it would have deprived many of all they were worth. But the loss has, fortunately, in most instances, fallen on those who have still something left.

As investments in stocks, except by professed stock dealers, are usually made only for the sake of *income*, the *immediate* disadvantage sustained by the breaking of banks is to be estimated by the amount of income thus cut off. Fifty millions of stocks at six per cent, would yield three millions per annum. Divide this equally among the inhabitants of Philadelphia city and county, and it would amount to twelve dollars each. But it is not divided equally. And though some of the holders of stocks still have adequate incomes from other sources, not a few of them, we fear, are living, not on *income*, but on such little remains of their *capital* as they had not invested in banks.

Relatively speaking, but few of our people are holders of stocks, but all are sufferers; some in one way, and some in another. Of the losses sustained by depreciation of bank notes and bank deposits we have seen no estimate. The aggregate must be enormous, but it is divided among a great number, and as part of the loss is suffered on one day, and part on another, the people are able to bear up under it. A direct tax of half the amount, would have caused a rebellion.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. IX.

Monday. McThwackem lent me to-day a dissertation by a learned professor in a South Carolina college, intended to prove that "*money is not wealth.*" Ah, these professors in colleges, they are the men! Surely wisdom was born with them, and when they die, wisdom will, I fear, die also. One of them, (he belongs to the University of Pennsylvania) not long since proved, or *attempted* to prove, that "all the use of metallic money is to create a confidence." Now his brother of South Carolina proves, or attempts to prove, that "money is not wealth." In regard to *paper money*, a Loco Foco might perhaps admit this doctrine to be true as far as concerns *the community at large.* But the professor extends it so far as to embrace metallic money also. Some curious consequences follow from this. For, if money is *not wealth*, then a man who is in possession of millions, if it be in the form of gold and silver coin, is not a *wealthy* man. If John Jacob Astor, should to-morrow sell all his houses and lands, and every thing else he possesses, for gold and silver coin, he would, from being the richest man in the country, suddenly become one of the poorest. He might, indeed, have from five to ten million dollars in hard cash, but as "money is *not wealth*," the possession of even a hundred million dollars would not make him *wealthy*. However, John Jacob Astor, in order to become wealthy again, would have only to melt his gold and silver coin into ingots. For, the professor does not, I believe, deny that gold and silver when in the form of bullion are *wealth*, in the same sense that copper and iron are *wealth*. It is only when gold and silver are converted into coin, that they cease to be wealth.

The doctrine puzzles me, I confess. Though, as it is put forth by a professor in a college, it *must* be true, I suppose.

Thursday. Had a conversation with son Tom on the subject of the standard of value. We cordially agreed in denouncing the common ideas on the subject as exceedingly absurd. The very term *stand*-ard, supposes something that *stands.* What can be more ridiculous, then, than to make money, which is always *circulating*, literally *going round and round*, the *standard* of value? I was for taking the earth, the great source of wealth, as that standard wherewith to compare all wealth. But Tom objected that I was not quite original in this. The Nicholas Biddle of the last century, the immortal John Law, was for making the earth the standard, and enriching nations by coining the land. Some distinguished gentlemen of Philadelphia, did moreover entertain ideas approximating to this; and some correspondents of *The Madisonian* had broached them in that paper.

"For my part," said *Tom*, "I look upon *New England rum* as the best standard of value."—Hereat I laughed: but Tom told me not to laugh, but to listen, while he compared certain qualities of New England rum with those qualities of gold and silver which, according to the Political Economists, fit them to perform the functions of standards and measures of value.

"In the first place," said Tom, "the demand for New England rum, is universal and incessant, the efforts of the Temperance Societies to the contrary notwithstanding; and the supply exactly equals the demand. Every Political Economist will admit that the laws of supply and demand, affect New England rum in the same way that they affect gold and silver.

"In the second place, it (New England rum) is divisable into extremely minute portions, and capable of reunion without any sensible loss of weight or value. This divisibility and capability of reunion, Say, in his Political Economy, places *first* in his enumeration of the qualities of gold and silver which fit them for the purposes of money. But every man knows that any given portion of New England rum can be divided and re-united with much more ease than any given mass of gold or silver.

"The exact strength, and consequently the purity, of New England rum, can readily be ascertained by means of a hydrometer. To ascertain the fineness of gold and silver, we have to resort to the troublesome process of assaying.

"Time, weather, and damp, says Say, have no power to alter the quality of gold and silver.—Neither do they injuriously affect New England rum. It rather improves by age. You can carry it into any climate. In very cold regions, it is indeed liable to be frozen; but then it can be cut into blocks, and serve very conveniently the purposes of a circulating medium. In this form, I have no doubt, it would be highly prized by the Esquimaux. If the Abyssinians use salt bricks, as money, why should not the Esquimaux use little blocks of frozen rum?

"Melasses was once a kind of secondary standard of value with our Yankee boys. Nothing used to be more common with them than to say

that they had got for their produce, 'half cash and half melasses,' meaning thereby, not melasses literally, but various commodities, of which they made melasses the general representative. In like manner, New England Rum was a kind of standard of value, and even currency, contributions for public objects being made in that medium. Of this, History affords us a remarkable example. When the New Hampshire troops were preparing to join the forces under Gen. Gates, contributions were made to defray their expenses, and among others, Governor Langdon subscribed a large sum. But how did he pay it? In gold and silver? No. He was not so foolish as that. He knew that gold and silver could be neither eat nor drunk; and, like a sensible man, he rolled out his four or five hundred barrels of New England Rum. With these, supplies for the troops were procured. And to his rum contribution we are, at least in part, indebted for the glorious victory of Saratoga, and the consequent capture of Burgoyne and his forces."

Pretty well for TOM. When he had done, I told him that he ought to write to Professor ——— of the University of Pennsylvania, and Professor ——— of the College of South Carolina. As one of them had made the discovery that "the whole utility of specie as money is its power of creating a confidence," and the other the no less notable discovery that "money is not wealth," I could not doubt they would duly appreciate *his* discovery of a new standard of value. TOM said he would think of it. He had his fears, that, if he wrote to those gentlemen, they would seize hold on his theory, dress it up anew, and give it to the world as their own, thus robbing him of honors justly his due.

Sunday. It is said that one of the old times Boston ministers was so averse to preaching, that he used every Saturday afternoon to go to the North End, and if he found a man coming into town with a black coat on, catch him, put him into the pulpit the next day, and make him preach for him. I think the mantle of this old times minister must have fallen on McTHWACKEM, for he never preaches himself when he can get any body else to supply his place. This morning his pulpit was filled by a miserable old drawler from the country, who took for his text, Revelations, chap. ix, v. 20, 21.—"And the rest of the men which were not killed by these plagues, yet repented not of the works of their hands that they should not worship devils, and idols of gold, and silver, and brass, and stone, and of wood; which can neither see, nor hear, nor walk: Neither repented they of their murders, nor of their sorceries, nor of their fornications, nor of their thefts."

"A remarkable example," said he, "have we here of the power of evil and of error, and of the inefficiency of mere punishment, as such, to produce reformation. The seventh seal had been opened, the sixth angel had sounded, woe had followed woe in quick succession, and yet the men that escaped destruction, repented not of the evils which brought these woes upon them.

"So it always has been, and so it always will be. And if any man doubts the truth of the doctrine inculcated in the sacred text, he has only to take a look at the present condition of our country. Herein we have the power of evil and of error exemplified in a most remarkable manner. The "third part of the men" have been killed by the fire of avarice,—a fire which is, in no allegorical sense, the fire of hell, and yet, the rest of the men "who have not been killed by these plagues, repent not of the works of their hands." It is all scheming and scheming still. As one system of fraud explodes, another takes place. Any thing, cry they, but hard money and honest industry.

"The words of our text, have, unquestionably, in their *primary* sense, reference to the spiritual condition of men. But such an application of them, the men of the present day are too worldly-minded to understand. Therefore do I confine my explication to their *secondary* sense. Worldly-minded men may see the force of the great truth inculcated in the text, namely, the power of evil and of error, when applied to worldly subjects: and yet, though they see, they will not repent. It will all be *scheming*, and scheming still."

I do wish parsons would stick to their calling, and not be meddling with *politics.* What business have they to talk about hard money and honest industry, and to speak of *scheming*, in such a way as to hurt the feelings of the most devout of their hearers—myself, for example, among others?

BANKING HISTORY.

In another part of this number, pages 281-3, will be found a report of part of the debate in Congress in 1816, on the subject of incorporating a Bank of the United States. The remarks of the speakers, especially those of Mr. Webster, Mr. Randolph, Mr. Mason, and Mr. Wells, are well deserving of attention, for they show the nature of the *principles* of the system.

Mr. Jeremiah Mason, the Senator from New Hampshire, who so zealously opposed the establishment of the U. S. Bank, was, about the year 1828, appointed President of the branch at Portsmouth, and by attempting to make that sound which had been rotten from the beginning, brought on himself the animosity of men of both of the political parties of the day. They endeavored, through the influence of some gentlemen in Washington, to have him removed from his station; but did not succeed in the attempt. To the failure to remove Mr. Mason, Mr. Nicholas Biddle has attributed Gen. Jackson's animosity to the Bank of the United States; but very unjustly. There is abundant evidence that Gen. Jackson was long before opposed to a National Bank.

It is well to connect different parts of history together. And the reader will read Mr. Mason's remarks in opposition to the establishment of the Bank of the United States with the more interest, when he learns that it is the Mr. Mason whose name has been so often referred to in the political disputes relating to the re-charter of the Bank.

The chapters which follow, pages 283-8, exhibit the operations of the United States Bank during the first years of its existence. To the thinking man they will afford ample food for reflection.

USURY SUITS.

Several suits have been recently instituted in this city to recover large sums paid in usury to bank directors, who granted the plaintiffs the favor of shaving their notes at the rate of thirty, forty, or fifty per cent. We cannot commend the morality of such proceedings, though very desirous of seeing punishment inflicted on those who thus abuse an important public trust, and prey upon a community which they were appointed to assist. But the fact shows the *beauties* of our banking system, and confirms all that we have said of it for several years past. The facts are the following. A merchant applies to a bank for a discount. The cashier or president, or a director, tells him that the bank has no money. In despair he goes to a broker, who shaves his note, and gives him a check for the proceeds upon the very bank which had refused to discount his note, under the pretence of having no money. But the bank had money enough, and loaned it to the directors, one of whom employs a broker to shave the very note which was thus driven out of the bank. Such has been the course of our banks from 1836 to the present time; and how much older this course is we cannot say.—*Ledger*.

It has been their course ever since they have been established, whenever the market rate of interest has exceeded the bank rate; and must, from the nature of things, be their course, so long as the present system of banking continues.

BANK FAILURES.

The LaFayette Bank, a safety fund bank in the city of New York, has failed.

The Bank of Hamilton, Butler County, Ohio, and the Bank of Chillicothe, have made assignments; and it is said that the Bank of Cleveland, and the Commercial Bank of Lake Erie at Cleveland, the Banks of Xenia and Marietta, and the Commercial Bank of Scioto, at Portsmouth, all in the State of Ohio, have done, or are preparing to do likewise. According to other statements, the Banks of Marietta and Xenia, and the Commercial Bank at Portsmouth, mean to resume specie payments.

BANK DEFAULTS.

It is said the deficiency in the funds of the Penn Township Bank amounts to about 260,000 dollars—a pretty large sum for a bank having a capital of only $500,000. According to a statement we have heard, certain country banks having dealings with the Penn Township Bank, deposited with it bonds and mortgages, and other valuables, as collateral security. These the late Cashier took, and disposed of in the market, in order to acquire the means of carrying on the speculations of himself and friends. No doubt he meant to return the amount faithfully. But one of the country banks wished to redeem some of the securities it had pledged with the Penn Township Bank. They were not forthcoming, and this was what first led the Directors to investigate the manner in which the late Cashier was conducting the affairs of their institution.

If there is any thing erroneous in this statement, we shall be happy to have the means of correcting it in our next number.

Mr. John G. Boyd, who was formerly Cashier of the Towanda Bank, shot himself in this city, on the 19th ult. The immediate cause was his inability to give the Penn Township Bank security in the amount of about 60,000 dollars, on account of some claims it had against him.

From some incidents in the early history of Mr. Boyd, which have accidentally come to our knowledge, we think it likely that under any circumstances, and under all circumstances, he would have been a *schemer*, though without the agency of paper money banking, his ability for scheming would never have been fully developed. He was, when a youth, an apppentice to Mr. Bethuel Moore, a respectable house carpenter of Philadelphia. From him he ran away; and we next hear of him at New Orleans. There he made contracts with certain gentlemen to erect houses for them, obtained advances from them, and left New Orleans without fulfilling his contracts.

Some two or three years since he engaged in the lumber and iron business, in Tioga County, Pennsylvania. This led to dealings between him and the banks at Williamsport and Towanda. He financiered so well, as to be made agent of, and finally Cashier of the Towanda Bank.

As agent and cashier of the bank, he had opportunities of applying its funds to the promotion of his own speculations, of which opportunities he took advantage.

It would be tedious to relate all his "operations." Let one suffice. As agent for the Towanda Bank, he induced the engravers here to alter its plate for its "relief notes," so as to adapt them to the signature of a "Clerk" instead of a "Cashier and President." And without any authority from the bank, as is alleged, he put into circulation a large amount of these notes, signed by himself as Clerk. Notes of this description, to the amount of many thousand dollars, are said to be now in possession of the city brokers.

As he made his money easy, he spent it freely. He was particularly liberal to a family, one of whose members he had deceived into a false marriage with himself. On one occasion he gave to each of them, as a Christmas present, the sum of five hundred dollars; and bestowed on them, in all, it is said, not less than twenty or thirty thousand dollars.

One of the reasons he gave for shooting himself was, that "he could not bear to be disgraced."—He could commit crimes of the deepest turpitude, without any feelings of compunction, but he could not bear to be found out.

His case certainly affords a remarkable evidence of the admirable adaptation of paper money banking for developing *talents* of a particular order.—Without it, a poor ten thousand dollars would probably have covered the whole amount of his scheming.

THE UNITED STATES BANK.

The stockholders of this institution met, pursuant to adjournment, on the 21st of February. Their proceedings were very boisterous.

Mr. Josiah Randall wished certain of the assignments made by the bank set aside, and others made instead, in conformity with the Act of Assembly. Mr. Gibbons thought "Old Nick" had something to do with this movement.

The meeting sided with Mr. Gibbons, and then adjourned. But Mr. Randall and his party tarried behind, and resolved to call another meeting, to be held on the second Thursday in April next.

Mr. S. Jaudon and Mr. T. Dunlap, two of the persons who had been bound over by Recorder Vaux, to answer a charge of conspiracy to defraud the stockholders of the U. S. Bank, have been discharged by Judge A. Randall. Their case was brought before him on a writ of *habeas corpus*.

STATE OF TRADE.

This is duller than it has been at any previous period in Philadelphia since the commencement of our Journal. This is but the natural consequence of causes that have long been in operation, but some of the effects of which are just now beginning fully to develope themselves.

One of the immediate causes of the present depression, is to be found in the state of the currency of the western and south western States. The notes of the banks in several of them are of such uncertain value, that they will no longer serve as substitutes for bills of exchange. Remittances to our merchants are consequently few and far between.

Another cause of the dullness of trade is to be found in the condition of our own currency. This is composed of constituents of three different values. For small change, we have silver coin, "shinplasters" being abhorred by us as nuisances. For transactions amounting to a dollar, and not more than five or ten dollars, our currency consists principally of "Relief notes," or, as we have heard them not inappropriately called, "Distress notes." Many of these are 12 or 15 per cent. below bank par. Some of the retailers refuse the country notes of this description altogether. Others take them, on condition of not being required to give silver change. Others, when a dollar note of this kind is offered to them, will take it, if those who make the offer, will buy 50 or 75 cents worth of goods.

For wholesale transactions our currency consists of bank checks marked "good," and bank par is five per cent. below specie par.

This state of things cannot last long. As the wholesale dealers refuse to receive country "Relief notes" from the retailers, the "Relief," or "Distress notes," must soon become merely brokers' merchandize.

☞ "The History of Banking from 1815-16 to 1816-17," begun in our last, is continued on the next page. The passage that immediately follows is an extract from the Speech of Mr. Webster, on the proposition to establish a Bank of the United States.

As we give either four or eight pages of "the History" in each number, it can, if desired, be separated from "the Journal" at the end of the year, and bound separately. "The History," as originally published by us, will be *completed* in the first volume of this periodical.

Saturday, Feb. 26, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	⅜ a ½ dis.	5 a — pr.
New Hampshire	⅜ a ½ dis.	5 a — pr.
Vermont	— a ½ dis.	5 a — pr.
Massachusetts	⅜ a ½ dis.	5 a — pr.
Rhode Island	⅜ a ½ dis.	5 a — pr.
Connecticut	⅜ a ½ dis.	5 a — pr.
New York City	Standard.	5¼ a — pr.
New York State	— a 1½ dis.	4 a — pr.
East Jersey	— a ½ dis.	— a 5 pr.
West Jersey	— a 6 dis.	Par a 1 dis.
Philadelphia	— a 5 dis.	Standard.
Pennsylvania, East	7 a 10 dis.	Par a 5 dis.
" West	7 a 10 dis.	1 pr. a 5 dis.
Delaware	6 a 7 dis.	Par.
Baltimore	— a 4 dis.	2 pr.
Maryland	— a 5 dis.	Par a 3 dis.
District of Columbia	— a 5 dis.	2 pr.
Virginia	— a 10 dis.	— a 4 dis.
" West	— a 12 dis.	20 dis.
North Carolina	— a 6 dis.	1½ dis.
South Carolina	—a 3 & 4½ dis.	4 pr. a 2 dis.
Georgia	— a 10 dis.	2 a 40 dis.
Alabama	— a 17 dis.	13 a 15 dis.
Louisiana	10 a 25 dis.	3½a 15 dis.
Mississippi	— a — dis.	20 a 80 dis.
Tennessee	— a — dis.	12 a 15 dis.
Kentucky	— a 12 dis.	10 a — dis.
Missouri		10 dis.
Illinois	20 & 25 a dis.	25 a — dis.
Indiana	— a — dis.	15 a — dis.
Ohio	— a — dis.	10 a 15 dis.
Michigan	— a — dis.	10 a 18 dis.
American Gold, (new coinage)	Par a — p.	5 a 6 pr.
Sovereigns	4.85 a ——	5.05 a 5.12
Heavy Guineas	5.00 a 5.05	5.25 a ——
Spanish Doubloons	16.25 a 16.50	16.80 a 17.00
Patriot Doubloons	15.70 a 15.90	16.40 a 16.60
Spanish Dollars	2½ a 4½ pr.	6 a 8 pr.
Mexican Dollars	¼ a ¾ pr.	5 a 6 pr.
Five Franc Pieces	93½ a 94 cents	98 a 1.00
Half Dollars	Par.	4½ a 5 pr.
BILLS OF EXCHANGE ON		
London	7¾ a 8¾ pr.	13½ a 14 pr.
France	5.27½ a 5.28¾	5.02½ a 5.05
Holland	— a 39¾	42 a ——
Hamburg	35⅝ a 35¾	37½ a ——
Bremen	76½ a 77	81 a ——
Boston	Par a ¼ dis.	4¾ a 5¼ pr.
New York		4¾ a 5¼ pr.
Philadelphia	4¾ a 5 dis.	
Baltimore	2¾ a 3 dis.	2 a 2½ pr.
Richmond	7½ a 8 dis.	4 a 5 dis.
North Carolina	5 a 5½ dis.	
Charleston	1½ a 1¾ dis.	1 a — pr.
Savannah	2 a 2¼ dis.	Par.
Augusta	4 a 4½ dis.	
Columbus	16 a 17 dis.	
Macon	13 a 14 dis.	
Mobile	14 a 14¼ dis.	11 a 13 dis.
New Orleans	6⅛ a 6¼ dis.	3 a 5 dis.
Natchez	25 a 30 dis.	— a — dis.
Nashville	15 a 18 dis.	12½ a 15 dis.
St. Louis	15 a 16 dis.	
Louisville	15 a 16 dis.	6 a — dis.
Cincinnati	13 a 14 dis.	10a 12 dis.
Michigan	9 a 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	6¾ a 11	9¼ a 11¼
Mobile	6¾ a 10½	9½ a 11
Upland	6 a 9½	8 a 10
Flour, Western Canal, per bbl.	6.00 a 6.25	
Philadelphia	—— a ——	6.00 a 6.12½
Rye Flour	4.00 a 4.12½	4.00 a ——
Indian Meal	3.00 a 3.12½	2.87½ a 3.12½
Grain—Wheat, per bush	1.24 a 1.25	1.25 a 1.30
Rye	70 a 72	65 a 70
Corn	58 a 62	51 a 61
Oats	42 a 53	41 a 43
Iron, Amer., Pig, No. 1, per ton	30.00 a 35	— a 32.00
Bar rolled	85.00 a 87.50	75.00 a 82.50
Lead, Pig, per lb.	3¾ a 4	4 a 4¼
Tobacco, Richmond, per lb.	3 a 7	4 a 7¼
North Carolina	3 a 5½	
Kentucky	3½ a 9½	3½ a 8
Wool, American, Merino, per lb.	34 a 36	38 a 40
Common	18 a 22	30 a 32
Whiskey, Rye, per gal	17½ a 19	19½ a 20
Provisions, Mess Beef, per bbl.	7.50 a 8.25	8.00 a 9.00
Mess Pork, per bbl.	7.12½ a 9	7.50 a 8.00
Hams, per lb.	7 a 7½	7 a 8
Lard, per lb.	4 a 6½	5¼ a 7½
Cheese, per lb.	7 a 8½	8 a 10
Rice, per lb.	2½ a 3½	3½ a 3⅞

"As to the conduct of the banks, he would not consider whether the great advances they had made to the government, during the war, were right or wrong in them, or whether it was right or wrong in the government to accept them: but since the peace, he contended, their conduct had been wholly unjustifiable, as also had that of the treasury in relation to them. It had been supposed that the banks would have immediately sold out the stocks, with which they had no business, and fulfilled their engagements; but public opinion had, in this respect, been disappointed.— When this happened, the government ought, by the use of the means in its power, to have compelled the banks to return to their specie payments.

"The establishment of a National Bank not being, in his opinion, the proper remedy, he proceeded to examine what was. The solvency of the banks was not questioned; there could be no doubt," he said "if the banks would unite in the object, they might, in three weeks, resume the payment of specie, and render the adoption of any measure by the House wholly unnecessary. The banks," he said, "were making extravagant profits out of the present state of things, which ought to be curtailed. He referred, for illustration of this point, to the state of the bank of Pennsylvania, as exhibited in the return to the Legislature of that State, which, with a capital of 2,500,000 dollars, had done a discount business of 4,133,000, at the same time that it held 1,811,000 dollars of the United States' stock—so that, without taking into account a mass of treasury notes, real estate, &c., that bank was receiving interest on six and a half millions, nearly three times the amount of its capital. That bank had been pronounced by the Legislature to be in 'a flourishing state;' it was so to the stockholders in the bank, he doubted not.

"The banks not emanating from Congress, what engine were Congress to use for remedying the existing evil? Their only legitimate power," he said, "was to interdict the paper of such banks as do not pay specie, from being received at the custom houses.— With a receipt of forty millions a year, if the government was faithful to itself and to the interests of the people, they could control the evil, and it was their duty to make the effort. They should have made it long ago, and they ought now to make it."

After some members who were friendly to the proposal to establish a National Bank had spoken—

Mr. Randolph expressed his fears, "lest gentlemen had got some of their ideas on this subject from the wretched pamphlets under which the British and American presses had groaned, on the subject of a circulating medium. The proposal to establish this great bank, he described as a crutch, and as far as he understood it, it was a broken one: it would tend, instead of remedying the evil, to aggravate it. The evil of the times was a spirit engendered in this republic fatal to republican principles—fatal to republican virtue: a spirit to live by any means but those of honest industry; a spirit of profusion; in other words, the spirit of Cataline himself—*alieni avidus, sui profusus*—a spirit of expediency, not only in public, but in private life; the system of Diddler in the farce—living any way and well; wearing an expensive coat, and drinking the finest wines at any body's expense. If we wish to transmit our institutions unimpaired to posterity, we must put bounds to the spirit which seeks wealth by every path but the plain and regular path of honest industry and honest fame.

"It was unpleasant," he said, "to put one's self in array against a great leading interest in the community, be they a knot of land-speculators, paper-jobbers, or what not: but every man you meet, in this House or out of it, with some rare exceptions, which served only to prove the general rule, was either a stockholder, president, cashier, clerk, or doorkeeper, runner, engraver, papermaker, or mechanic in some way or other to a bank. The gentleman from Pennsylvania might dismiss his fears for the State banks, with their one hundred and seventy millions of paper on eighty-two millions of capital. However great the evil of their conduct might be, who was to bell the cat? who was to take the bull by the horns? You might as well attack Gibraltar with a pocket-pistol, as to attempt to punish them. There were very few who dared to speak truth of this mammoth: the banks were so linked together with the business of the world, that there were very few men exempt from their influence. The true secret is, the banks are creditors as well as debtors; and if we were merely creditors to them for the paper in our pockets, they would soon, like Morris and Nicholson, go to jail, (figuratively speaking) for having issued more paper than they were able to pay when presented to them. A man has their note for fifty dollars perhaps, in his pocket, for which he wants fifty Spanish milled dollars: and they have his note for five thousand in their possession, and laugh at his demand. We are tied hand and foot, and bound to concili-

ate this grand mammoth, which is set up to worship in this Christian land; we are bound to propitiate it. Thus, whilst our government denounces hierarchy; will permit no privileged order for conducting the service of the true God; whilst it denounces nobility, &c., has a privileged order of new men grown up, the pressure of whose foot he, at this moment, felt on his neck. But," he said, "a man might as well go to Constantinople to preach Christianity, as to get up here and preach against banks."

The bill was read a third time on the 14th of March, and passed the House by a vote of eighty to seventy-one.

When it came before the Senate, Mr. Mason, of New Hampshire, moved so to amend it that the whole amount of specie to be paid in at the time of subscription should be two million eight hundred thousand dollars, instead of one million four hundred thousand. He contended that "the United States' stock subscribable and payable at the same time, to the amount of seven millions, would be no more aid to the bank in discounting, with a view to redeeming its notes in specie than so many bank bills. The amount of one million four hundred thousand dollars in specie, divided among the different branches, which he presumed would be immediately established, would, he argued, be insufficient for any operation whatever. Let the bank issue paper to produce any effect, and the specie in its vaults would be instantly withdrawn from them; twenty-five days would be sufficient for that purpose.—It might be said the bank would commence operations slowly and with caution; but any man acquainted with the institution of banks knows *that the sum first paid in is nearly all that the stockholders ever pay*. The bank would continue in operation for ever, without taking from the stockholders any considerable sum more than the first instalment; for, as far as the bank discounted, the second instalment would be paid into the bank with the specie of the first instalment, &c. This was a position so fully supported by all experience, that he presumed it would not be denied."

Mr. King, of New-York, supported this motion. "The gentleman from New-Hampshire had," he said, "conclusively shown, that one and a half millions was the greatest extent to which, as it now stood, the bank could safely issue on a specie system. Illustrating his view of the subject by a detailed statement of the process," he said, "that the first discounts of the bank being necessarily to those most pressed by the State banks, the proceeds of the discounts would immediately find their way to the State banks. Under this view, a million and a half would be a sum entirely too small to enter into a competition with the existing banks."

Mr. Bibb, of Georgia, and Mr. Barbour, of Virginia, opposed the motion. In reply to some remarks by these gentlemen, Mr. Mason said, "he knew of no *law* of the United States which authorized any officer of the Government to receive any part of the spurious money, which the gentleman said was in circulation. The laws were already perfect on this subject. If the executive officers had received other moneys in payment than those authorized by law, they had acted without law, without right. The remedy now proposed was," Mr. M. thought, "something like Sangrado's practice: more bank paper of the same sort—more hot water for the same evil."

Mr. Mason's motion to amend was rejected.

Mr. Wells opposed the bill on constitutional grounds, and because he did not believe it would have the effect intended.—"This bill," he said, "came out of the hands of the administration ostensibly for the purpose of curtailing the over-issue of bank paper; and yet it came prepared to inflict upon us the same evil, being itself nothing more than simply a paper-making machine; and constituting, in this respect, a scheme of policy about as wise, in point of precaution, as the contrivance of one of Rabelais' heroes, who hid himself in the water for fear of the rain. The disease, it is said, under which the people labor, is the banking fever of the States: and this is to be cured by giving them the banking fever of the United States."

So little effect have the strongest arguments on men whose minds are made up, that the bill was passed by the Senate on the 3d of April, by a vote of twenty-two to twelve: and returned to the House for concurrence in certain amendments, not important enough to deserve special notice.

When the question on concurrence with the amendments of the Senate was stated, Mr. Randolph declared himself to be the holder of no stock whatever, except live stock, and had determined never to own any: but if this bill passed, he would not only be a stockholder to the utmost of his power, but would advise every man, over whom he had any influence, to do the same; because it was the creation

of a great privileged order of the most hateful kind to his feelings, and because he would rather be the master than the slave. If he must have a master, let him be one with epaulettes—something that he could fear and respect, something that he could look up to—but not a master with a quill behind his ear."

Mr. Webster "animadverted on what he called a compromise of principle, on a great moneyed institution, and the desertion, not only of principles, but of friends, which had characterized the proceedings on this bill."

A motion to postpone the bill indefinitely, was decided in the negative on the 4th of April, by a vote of sixty-seven to ninety-one. The amendments made by the Senate were concurred in by the House; and on the 10th of April, the bill was approved by James Madison, the President.

At the same session of Congress, a resolution was passed declaring that, after the 20th of February, 1817, nothing but gold and silver, treasury notes, and the notes of specie paying banks, *ought* to be received in payment of dues to the United States.

An incident which occurred in the beginning of this year, deserves mention, as an example of the power the banks had over the community. A Mr. Fisher, a gentleman of Richmond, wished to enforce the payment of ten notes for one hundred dollars each, which had been issued by a bank in Virginia. It had been his wish to bring a suit against the bank in 1815, but he could not find any gentleman of the bar at Richmond, who was willing to undertake the business. He at length succeeded in engaging a lawyer; and in January, 1816, regular proceedings were instituted: but the president of the bank refused to obey the summons. The sheriff called to his aid *a posse comitatus*, and the president was forcibly taken before the court. The bank still refusing to pay the amount of its notes, its doors were closed by the sheriff! It then brought suit against Mr. Fisher, laying its damages at ten thousand dollars, and also took measures for instituting legal proceedings against the sheriff! The doors of the bank were surreptitiously opened, and the bank continued its operations, thus gaining a new triumph over the laws.*

The banks of other parts of the country evinced an equal indisposition to obey the laws of the land. Notwithstanding that the resolution of Congress designated the 20th of February, 1817, as the day after which the notes of non-specie paying banks ought not to be received in payment of dues to government, "the principal banks in the middle States explicitly stated" to the Treasury Department, in the month of August, "their determination not to resume specie payments before the 1st of July, 1817."†—Mr. Dallas had, however, become weary of treating with the banks as with independent sovereignties. He gave public notice, on the 12th of September, that the resolution of Congress would be enforced. But the delegates of the banks of New-York, Philadelphia, Baltimore, and the District of Columbia, assembled at New-York on the 16th of September, bid him defiance, by resolutions which they published, fixing on the 1st of July for the resumption of specie payments.

The resolution of Congress was, however, of such a nature that it could not be easily evaded; and it was not a little strengthened, by an act of the Legislature of New-York, imposing a penalty of twelve per cent. on any bank within that commonwealth, which should not pay its notes on demand. An act of this kind had been brought before the legislature in April, 1815, but the fair promises of the banks, and the exertions of their agents, prevented its being adopted in that year. Tired out by the subterfuges of the moneyed corporations, the Legislature at last adopted this salutary measure.

CHAPTER X.

Of Banking from 1816-17 *to* 1817-18.

During the year ending December 31st, 1816, the revenue of the United States' Government amounted to the enormous sum of *forty-seven millions of dollars*, which was two millions more than the total of the national debt on the first of January, 1812.—The appearance of increasing riches, and the general rise of prices produced by the free use of paper-money, had caused a consumption of foreign commodities, the effect of which was felt by government in the great increase of its revenue.

But, with all this income, our fiscal affairs were not free from embarrassment. "The public treasury exhibited a phenomenon in

*Niles.

†Letter of Mr. Dallas, Nov. 29th, 1816.

finance. Many millions of surplus revenue, with as many different values as there were offices of collection, constantly accumulating at those ports of entry where it was least valuable, and applicable only where it was collected, while the great mass of public debt and expenditures was at those places where the public moneys were least available: even the quarterly interest on the public debt, due where the currency was most valuable, could not be discharged but by the evidence of a new debt, in the form of seven per cent. treasury notes. Thus creating an invidious distinction as well between the debtors as the creditors of the public, in many cases exceeding twenty per cent. on the amount of their respective claims. The market value of the currency paid to the government, was made to fluctuate according to the arbitrary decisions of banks, and intrigues of brokers.

"In this situation, the State banks which had been employed as depositories of the public money, withheld the indispensable facilities of exchange, for the payment of the public creditors, and finally refused to pay the balances due by them, but in the ordinary course of public expenditure at their respective places of location, claiming, under various groundless pretexts, the indulgence of government, while the immense sums received by them on account of the United States in the paper of the banks which did not participate in the public deposits, enabled them to control those banks and protract their efforts to resume specie payments."*

Such was the state of affairs, that, though there was a balance of *twenty-two* millions in the treasury, the government was compelled to borrow five hundred thousand dollars from the United States Bank, in anticipation of its regular operations, to pay the interest due on the public debt at Boston on the first of January, 1817.

The Bank of the United States opened its doors at Philadelphia on the first of January, 1817. Its capital then consisted of one million four hundred thousand dollars in specie, and fourteen millions in public stocks. About this time a second instalment in specie, of the amount of two million eight hundred thousand dollars, was due: "but it is clear," says A Friendly Monitor, "that the bank having commenced operations, and put its paper in circulation, could not enforce the payment of the specie part of the second and third instalments of the capital in *new acquisitions* of specie. They would be paid either in the notes of the bank, or in the specie which they would draw out of the bank, or with checks drawn on the credit of the discounts, or not at all; for if the bank had ceased to furnish facilities in the vain expectation of coercing payment, *no dividend* could have accrued. * * * The directors therefore acted *wisely* in discounting the notes of the stockholders payable in specie sixty days after date."

From the documents laid before Congress in 1819, it appears that the directors did not wait till the second instalment was due: but passed a resolution in December, before any notes of the bank were in circulation, authorising discounts on a pledge of stock. Such "facilities" enabled the stockholders either to comply with, or to evade, the requisitions of the law, as the reader is disposed to interpret its terms. A large part of the second instalment was not paid till months after it was due, and instead of two million eight hundred thousand dollars, only three hundred and twenty-four thousand can, according to the report of a committee of Congress, be fairly presumed to have been paid in coin.

A third instalment, of two millions eight hundred thousand in coin, and of seven millions in government stock, was due after the first of July. But the committee of Congress say that, "of the two million eight hundred thousand dollars which were to have been paid at the third instalment, it is believed that a very trifling amount was paid in coin, and as little of the funded debt, but that nearly the whole was paid by the proceeds of notes discounted on stock."†

To be brief, the capital of the United States Bank, when all paid in, consisted of about *two* millions in specie, instead of seven millions, and of about twenty-one millions in funded debt, instead of twenty-eight millions, and of about twelve millions in the stock notes of the original stockholders. Mr. Mason had predicted that the stock would be completed in this way, and it being the way in which bank stock is usually completed, the result ought to occasion no surprise.

The manner in which the discounts on pledges of stock of the bank were conducted, was very beneficial to some of the original shareholders. "The directors did not confine themselves to the amount prescribed in the resolution of December 27th, that is, to the proportion of the coined part of the sec-

* "A Friendly Monitor." Philadelphia, December, 1819. Republished, Sept. 1822. Mr. Gallatin says "it is well known that this pamphlet came from an authentic source." We have been told that it was written by W. Jones, the first president of the United States Bank.

† Report to Congress, January, 1819.

ond instalment, but discounted to the full par value of the stock which was paid for by the proceeds of the same discounts: and the discounts, the payment of the second instalment, the payment of the price to the owner, the transfer, and the pledge of the stock, were, as it is termed, simultaneous operations. All the discounts on stock after the 20th of February, 1817, were made at the par value of the shares, which enabled the discounter not only, to pay the whole of the instalments, including the specie part, and the funded debt part, but also to draw out of the bank the amount which might have been paid in on his shares. * * * * The effect of these discounts was, very obviously, to enable those who had made large purchases, to retain their stock without paying for it, and to derive a benefit from its probable advancement in price. Had the bank rigidly required the payment of the instalments, the large stockholders must have sold that portion of their shares which their real means did not enable them to hold. Or, if the bank had not exacted the instalments, and had not afforded the means of substituting credit for payment, the stock would not have advanced materially in price, and the large holders of it would have had no inducement to retain it. In either event, a more equal diffusion of shares would have been the consequence, and it would have reached the hands of solid capitalists, who would have held only what they could pay for."*

In August a resolution was adopted to grant discounts on bank stock, at the rate of one hundred and twenty-five for one hundred paid, with an endorser for the excess. "And in order to insure the greatest amount of such loans, and at the same time afford facilities to the prompt purchase and sale of stock," the president and cashier were authorized "to discount all stock notes that should be offered between discount days, to a certain amount. Stock-jobbing to an immense extent, and wagers on the price of shares, were the inevitable consequences of this system. It gave equal facilities to the bankrupt, who had not credit enough to obtain an endorser, and to the capitalist. Stock could be, and was, purchased without the advance of a cent by the purchaser, who had only to apply to the directors, or to the president and cashier between discount days, for a loan on the shares about to be bought, and, by what is termed a simultaneous operation, he obtained the discount, and with it paid for his stock. A rise in the market would enable him to sell his shares, pocket the difference, and commence operations anew. The loans actually made were most of them unreasonable, and excessive in their amount: they were not made to the merchant and trader, but to a few persons consisting of directors, brokers, and speculators: and have been renewed and continued almost invariably at the option of the borrower.

"One of the arts obviously intended to give the bank stock a high price in the European market, was the establishment of an agency there to pay the dividends. On the 28th of November, 1816, a resolution was passed by the casting vote of the president, and against the report of a committee who had been appointed to consider the subject, authorizing John Sergeant, Esq., to make arrangements in Europe, for the payment of the bank dividends at the par of exchange, and at the risk and expense of the bank.—When the committee find among the eleven who voted in the affirmative, the names of some directors who have been constantly and largely engaged in the purchase and sale of stock; and that of the ten who voted in the negative, not one has been ascertained to have dealt in those transactions, they are almost irresistibly impelled to the conclusion, that the measure was adopted more with a view to enhance the price of shares, than for the permanent benefit of the institution.

"The root and source of all these instances of misconduct, was the illegal and reprehensible division of the stock. By the first fundamental article of the charter, no person, copartnership, or body politic, shall be entitled to more than thirty votes: and yet, in violation of this provision, it was a common, and general practice, well known to the judges of the election and to the directors, to divide shares into small parcels, varying from one to twenty shares to a name, held in the names of persons who had no interest in them, and to vote upon the shares thus held, as the attorneys of the pretended proprietors. By some of the witnesses it is avowed that their object was to influence the election.—Mr. Leiper, one of the judges of the first election, states that he did so himself. The effect was, that Baltimore, which had about one-seventh of the shares owned by individuals, gave more than one-fourth of all the votes that could be given. In that place there were 1172 shares taken in 1172 names, by George Williams, as attorney, the whole of which, it appears from his examination, he owned. At Philadelphia, nearly one-third

* Report to Congress, January , 1819.

of the shares was owned, and the votes given at that place were about two-ninths of the whole authorized. The same persons who thus held the power of appointing directors, are found to have the greatest loans on stock."*

It is time now to turn our attention to other operations of the bank.

In January, a convention of delegates from the banks of New-York, Philadelphia, Baltimore, Richmond, and Norfolk, met in Philadelphia, and resolved to resume specie payments on the 20th of February, on certain conditions, one of which was, that the payment of the balances which might accumulate against these banks, should not be demanded by the bank of the United States, until the said bank and branches should have discounted for individuals (other than those having duties to pay) 2,000,000 in New-York, 2,000,000 in Philadelphia, 1,500,000 in Baltimore, and 500,000 in Virginia.

The Bank of the United States acceded to this arrangement, and thus engaged to extend its credit dealings as the other banks contracted theirs.

A favorite object was, "the equalization of exchange between different parts of the Union." This was unfortunately sought to be effected, not by compelling the local banks to redeem their extra issues, and thus bring the currency in every part of the country to a level with specie; but by issuing notes payable at all the offices, and by a system of drawing and redrawing carried on by the mother bank and its branches. The directors of the branches at the south and west, especially those at Baltimore, had their own speculations to promote, and issued their notes and drafts in so great quantity, as to cause no little embarrassment to the bank at Philadelphia, and the branches at the north.

The Secretary of the Treasury increased the inducements of the bank to multiply its discounts, by redeeming, with a portion of the public deposits, eleven millions of the funded debt, which formed part of the capital stock of the bank.

The effect of these various operations was, that the discounts of the bank, which were less than three millions on the 27th of February, were increased to twenty millions by the 30th of April; to twenty-five millions by the 29th of July; and to thirty-three millions by the 31st of October. At the close of the year, the amount of unsound credit dealings was, taking the country throughout, greater than it was at the beginning: for the "contraction" made by all the local banks, did not equal the "expansion" made by the United States Bank.

A committee of the Senate of Pennsylvania,† describe it as only a *nominal* resumption of specie payments that was effected in this year. "Had the United States Bank," they say, "been conducted with the discretion and wisdom which were essential to so powerful a machine, its influence might have been productive of the most happy consequences. The public was aware that the currency of the State banks was still depreciated from excess, and that nothing but a further reduction of their issues could remove its unsoundness: and yet, with this fact evident to the most limited capacity, the directors of the new bank fancied, that if they could only persuade the city banks to *call* that a sound currency which was in reality an unsound one, the evil of depreciation would be cured; and they accordingly proposed to them to enter into an arrangement to resume specie payment on the 21st of February following. The city banks, sensible that their power over the community was so great that few individuals would have the boldness to make large demands on them for coin, and relying upon the forbearance that had hitherto been extended to them by an injured public, who had been for two years and a half paying them six per cent. per annum for their dishonored bills, consented to the arrangement, and specie payments were *nominally* resumed on the appointed day. We say *nominally*, because in point of fact, a *bona fide* resumption did not take place, as is evident from the well-known circumstance, that for a long time after that period, *American* as well as foreign *coins* would command on the spot a price in city bank notes above their nominal value. Depreciation can as well result from the forbearance of the public to demand their rights, as from the refusal of the banks to pay their engagements; and the arrangement alluded to, was not any real resumption of cash payments, but a mere change of one species of inconvertibility for another. No sooner, however, had the directors of the National Bank succeeded in the desirable object of rendering depreciated paper an equivalent for their own convertible notes, than instead of reflecting, from an experience of the past,

* The effect of these different proceedings was, that on the last of December, 1816, Bank of the United States stock was at 41 7-8 for 30 paid; in April, at 81 for 65 paid; in May, at 98, on the 20th of August at 144 for 100 paid; on the 30th of August, at 156½, at which price it remained for some days, and then began to decline. Report to Congress, January 16th, 1819.

† Report on the Public Distress, January 29th, 1820.

that the channels of circulation could contain only, without depreciation, but a limited amount of paper credits, and that that amount was already in these channels, they began to add to the mass already redundant, by emissions of their own notes: and in the course of a few months, added to the mass of bank loans an amount greatly beyond the reductions which had been made. By these means the currency, although *nominally* convertible, was depreciated below its former low state, and was thrown back instead of being advanced on the road to restoration: and thus was rendered nugatory, all the pain and embarrassment which the public had suffered from the former curtailments of the State banks."

In the Southern and Western States, the operations of the United States Bank caused the local banks to extend their issues. The Bank, say the committee of Congress, "improvidently afforded a temptation to the Western banks particularly, to extend their circulation of notes, by insisting on its branches paying out their own notes in preference to those of the State banks, and on their delivering drafts on the eastern cities, whenever it could be done, to prevent the remittance of their own notes. The branch notes and the drafts issued in consequence of these instructions, were swept away by the facility of remittance thus unwarily given, as well as by the ordinary balance of trade. A vacuum in the circulation was thus produced, which could be supplied only by the local notes, which were readily received by the officers of the Bank of the United States, and were retained by them as a fund upon which interest was paid by the State banks. The committee are of opinion, that instead of conducting with the alleged rigor towards the State banks, the Bank of the United States is liable to the more serious charge of having *increased* the amount of notes in circulation, by its acceptance of them in those places where it was known they would not be redeemed in specie, and by making them, in the manner before mentioned, the only circulating medium in that part of the country. So long as the notes of each office were payable at all the others, and the office issuing was not exclusively liable for their redemption, the discounts at those places against which there was a balance of trade, became larger in proportion to their indemnity against demands. As the notes of the offices were rapidly carried off, the payment of those discounts was necessarily made in the notes of the local institutions. And thus it was one of the inevitable effects of the old system, to increase the debts of the State banks to the offices of the United States Bank at those places."

CHAPTER XI.

Of Banking from 1817–18 *to* 1818–19.

In the first part of the next year, the Bank of the United States conducted operations on the same principles that had governed it in 1817. In January and February, 1818, the amount of its discounts and exchange dealings was swelled to forty-two millions, and in March and April to upwards of forty-three millions.

During all this time the bank had not succeeded in getting notes to the amount of ten million dollars in circulation, but this appears to have been owing not to any disinclination of the directors to issue paper in abundance, but to a physical inability on the part of the president and cashier to sign as many notes as were wanted. To get over this difficulty, application was made to Congress to grant authority to the presidents and cashiers of the branches to sign notes. One of the objects in establishing the United States Bank, was to substitute a uniform paper currency for that variety of notes which made it difficult for many persons to distinguish between the genuine and the counterfeit. An objection was therefore made to granting the officers of the branches power to sign notes, as the variety of signatures would increase one of the evils the bank was intended to remedy: but a bill was passed by the Senate to authorize the appointment of a vice president and assistant cashier, whose special duty it should be to sign all its notes for the mother bank and branches. When the bill came before the House, on the 18th of April, much praise was bestowed on the bank for the excellent manner in which it had been conducted, and the propriety of taking measures to enable it to circulate more paper was warmly urged. Mr. Smith, of Maryland, said, "one great object of the bank was to afford an adequate circulating medium, that would be uniform throughout the Union. To effect this, it is necessary to have a sufficient number of notes signed to enable the bank to put twenty millions of dollars in circulation. The president and cashier cannot, (having their other business to attend to,) sign more than 1500 notes each day. At that rate it would require more than

four years to sign the number and kind necessary for circulation." The bill was negatived by the House, chiefly from a fear, as would appear from the debates, that it would give the United States Bank too much power over the local banks.

In its charter, in the preference given to its notes by the government, and in its being made the depository of the public revenue, the United States Bank had great power. It was thus enabled to make discounts in little more than a year to an amount exceeding forty-three millions, including eleven or twelve millions on pledges of stock, though the specie part of its capital was hardly two millions.

To sustain its operations, the bank exchanged part of its funded debt for specie in Europe, and purchased a large amount of coin in the West Indies and other places.—Between July, 1817, and July, 1818, upwards of seven millions of specie were imported by the bank, at a cost of five hundred thousand dollars. But the original cause of the specie's leaving the country, viz: the excess of paper issues, still continuing to operate, the money was exported by individuals faster than it was imported by the bank. "I myself have seen," says A Friendly Monitor, "A detailed statement of five millions of dollars, exported in twelve months from the ports of Boston and Salem alone, and from this data the aggregate amount exported in twelve months from the United States, could not have been, during the same period, short of twelve millions of dollars." This estimate is probably below the real amount, and the result would have been the same, if the bank had imported seventy millions instead of seven millions. If we had mines as rich as those of Potosi, and paper should be issued in excess, we should not be able to retain in the country even that small amount of silver which is necessary to keep bank notes convertible.

Notwithstanding the importation of specie made by the bank, the amount at any time in its vaults did not rise to three millions—an amount which, divided among the mother bank and eighteen branches, was quite insufficient to sustain its operations.

In July the board of directors found it absolutely necessary to change their policy.—A sudden reduction of discounts to the amount of two millions at the bank in Philadelphia, two millions at Baltimore, seven hundred thousand at Richmond, and five hundred thousand in Norfolk, was then ordered to be made before the 1st of November, and it was resolved to require the payment of the balances due by the banks of Cincinnati and of the District of Columbia.

By the 30th of October, the reduction of discounts at Philadelphia had exceeded the prescribed amount in the sum of five hundred thousand dollars. In Baltimore, Richmond, and Norfolk, the deficiency was one million seventy-seven thousand five hundred. The total reduction in the four cities was nearly four million five hundred thousand; yet an additional reduction to the amount of one million was deemed necessary in Philadelphia; and a committee of investigation was constrained to urge a steady perseverance in the curtailments of the discounts of the bank and its offices, wherever it might be practical and useful. One of the reasons for this course of procedure was, "the premium paid at this time for specie, which is said to be ten per cent. on Spanish dollars, and a considerable though less premium for other coins."

"When, in July last," says the committee of Congress, "the Board directed a curtailment of discounts, it fell in almost all cases on the business paper, while the immense amounts loaned on stock pledges were but little affected, excepting at the offices at Richmond and Washington, where the curtailments appear to have fallen equally on all the notes. But the discounts at these places on stock were very small, particularly when compared with Baltimore, where the loans were such, and so long continued, as to receive the animadversions of the parent Board."

A reduction of discounts to the amount of four million five hundred thousand dollars in four cities, in the short space of three months and ten days, had a very disastrous effect on the merchants, and through them on the rest of the community. Their sufferings were increased by the order not to receive on deposit at Philadelphia any notes except those of the mother bank, or at any one of the branches, any notes except those of that one branch. Heretofore the mother bank and its branches had paid and received indiscriminately, all their notes, without regard to the place of issue. By the new arrangement, paper which was received from the bank on one day was on the next no longer available in paying debts to the bank. In other words, the merchants were called on to pay four or five millions, and were not allowed the privilege of paying debts due to the bank itself in the paper of the bank.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, March 16, 1842. No. 19.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by them selves, containing subscriptions and payments for newspapers and other periodicals.

ORIGIN OF PAPER MONEY.

It is a fact well worthy of notice, that in all countries into which paper money has been introduced, it has owed its origin, not to the demands of commerce, but to the necessities of the State. The reason for this is, that commerce creates its own medium. In commerce, conducted on legitimate principles, mere *promises to pay* are never substituted for actual payment. The merchant may buy much on trust, but when the day arrives on which he has promised to pay, he will, if solvent and honest, fulfil his engagements.

The necessities of the State, in very ancient times, introduced paper money into China, into Tartary, into India, and into Persia. And in modern, or comparatively modern times, the necessities of the State have introduced paper money into Italy, Spain, Portugal, France, Germany, Russia, Sweden, Denmark, Great Britain, the United States, Brazil, and Buenos Ayres.

There are some who suppose, or seem to suppose, that without paper money there would be little or no commerce. We would call their attention to the fact, that in no one country did the necessities of commerce give rise to the use of paper money. The fact is of importance.

The Bank of England was established on condition of lending *all* its capital to Government. The first issue of paper money in this country was made by Massachusetts in 1690, not to serve the purposes of commerce, but to satisfy the demands of some clamorous soldiers. The next was made by South Carolina in 1712, to defray the expenses of an expedition against the Tuscaroras. The first of our regularly constituted paper money banks was the Bank of North America. Private scheming was undoubtedly at the bottom of this, but the schemers owed their success entirely to the hopes they held out of relieving by their new institution the pecuniary wants of Government. The like is true of the first Bank of the United States.

BANKS have, indeed, been established in different countries, solely to aid the operations of commerce. Of this kind were the banks of Hamburg and Amsterdam. But they were *hard money* banks.

PAPER MONEY REFORM.

In no country into which paper money has been introduced, has the system been reformed. In all, the enormity has gone on increasing, till it has exploded. It was thus with the paper money of China, thus with that issued by Law in France, thus with the assignats, thus with our provincial paper money, thus with our continental money. And thus, we suppose, it must be with the present paper money systems of Great Britain and the United States.

In Austria, France, Portugal, Sweden, Denmark, and perhaps in other countries, as well as Great Britain and the United States, instances have occurred of banks' suspending specie payments and afterwards resuming them. But this is, at best, but a partial reform. Banks in which the copartners are exempted from personal responsibility, are chartered monopolies of the most odious description. And whether such banks pay, or refuse to pay, specie on demand, their paper never can adequately perform the *chief* function of money. It may be very convenient as a *commercial medium;* but as a *measure of value* it is one of the most *deceptive* that can possibly be imagined.

BANKING HISTORY.

Mr. Randolph opposed the establishment of the United States Bank on the ground that "it would prove a crutch, and, as far as he understood it, a broken one. It would tend instead of remedying the evil to aggravate it." Mr. Jeremiah Mason thought "the remedy proposed was something like Sangrado's practice; more bank paper of the same sort—more hot water for the same evil." Mr. Wells thought "the scheme of policy about as wise, in point of precaution, as the contrivance of one of Rabelais' heroes, who hid himself in the

water for fear of the rain. The disease under which the people labor, is the banking fever of the States; and this is to be cured by giving them the banking fever of the United States."

That these gentlemen were correct in predicting that the establishment of the United States Bank would only increase the evils it was intended to cure, abundant evidence will be found in the history of the early operations of the Bank, and of the effects thereby produced, as recorded in the latter part of this number, pages 297—304. The immediate operations are related by Mr. Cheves, the predecessor of Mr. Biddle, in the Presidency of the Bank. The effects they produced, by other gentlemen who were eye witnesses of these effects.

Much praise has been bestowed on Mr. Cheves for his management of the Bank: and great praise is undoubtedly due to him for not using his power to promote any speculations of himself or his friends. He looked solely to the interests of the Bank. Yet, such is the nature of *the system*, that it is a question whether it did not, while under the control of Mr. Cheves, do quite as much harm as when under the control of Mr. Biddle. Mr. Cheves, by his course of policy, saved the Bank, but *thereby ruined the people.* We know not where, than in the effects of his administration, stronger evidence is to be found of the truth of the declaration of Lord Liverpool, that paper money banks sustain specie payments through means which cause "the downfall of thousands and hundreds of thousands, and the convulsion of all kinds of property. It is true that the evil carries its own cure; but, with such terrible consequences, that the cure is worse than the evil."

THE STANDARD OF VALUE.

Lord Stanhope laid it down as a principle, "that a pound sterling being the *abstract value* by which the *computed value* of any object of consumption is measured, that value ought to be independent of the computed value of the variable quantities of gold and silver, the representative signs of which may be found in circulation."

Absurd as it may seem to make an *abstract idea* the standard of value, we are inclined to think that the absurdity is less in the opinion expressed, than in the thing itself, and that such is really the standard in all paper money countries, whether the banks pay specie, or do not pay specie. In other words, we incline to the opinion that in all such countries, the standard of value is that *idealty*, that *intangible something*, that *mental abstraction*, the *bank dollar*, or the *bank pound*, of which the bank note is the sensible representative, and that gold and silver coins are, in such countries, mere merchandize, or at best but a *subsidiary currency*. As any man can conceive of a *money of account*, and a *money of circulation*, bearing the same name, and yet distinct from one another, what hinders his forming an equally distinct conception of a standard of value wholly *ideal*, and yet bearing the same name as a tangible, ponderable, gold or silver coin.

Value is, according to some approved writers, in its ultimate analysis, "a judgment of the mind." It would carry us too far into the regions of metaphysics, to show how they make this out. If they are correct in their views, why should we not have an *ideal* as well as a *sensible* standard of value?

The standard of value is, in point of fact, that which determines prices. This, in all paper money countries, is, so far at least as respects wholesale transactions, bank medium: for it is in that that payments are effected. This bank medium has a certain relationship to gold and silver; but it does not thence follow that gold and silver, and not bank medium, is the standard of value.

Perhaps the question will be propounded, "if bank medium is the practical standard of value, how comes it that gold and silver coins, of the same denominations as the bank medium, never vary in price, so long as the banks pay specie?" We shall answer this question by asking another. How comes it, that since the time of commencing this Journal, there have been, according to the New York and Philadelphia Prices Current, no variations in the prices of certain kinds of iron? Nay, how comes it that we have had but once, and that but lately, to alter the quotations of any species of tobacco?

If with such a currency as that of Philadelphia, always varying in amount, and with domestic and foreign exchanges continually fluctuating, the prices of iron, and, above all, of tobacco, can remain unchanged for months in succession, there is no difficulty in conceiving why sovereigns may bear one price for years together, and yet bank medium, and not gold, be the *practical* standard of value in Great Britain.

Metallic money may circulate to a certain extent, and yet not be the standard of value. Its value as currency may exactly correspond with that of the like denominations of paper money, or fractional divisions of the same, and yet the metal composing this money may bear either a higher or lower price in the bullion market. The copper in each of our cents is worth less than the one-hundredth part of a dollar; yet these cents are made to circulate as worth exactly one-hundredth

part of a dollar, by the care of the officers of the Mint to issue no more than are absolutely necessary to supply the demand for this kind of circulating medium. The silver in an English shilling is not worth the twentieth part of a pound sterling: yet it circulates at this rate, because no more shillings are issued than are required for small change.

In Philadelphia, at the present moment, exactly the opposite state of things prevail. Our petty currency consists of silver coin, which for months past has borne a premium in the brokers' shops. Yet so long as the premium did not rise above five or six per cent., it was given freely in 'change of "Relief notes," which were our practical standard in retail trade.

These facts show that metallic money may circulate to a certain extent, though the metal composing it may be of greater or less value as currency than as bullion. But in such cases metallic money is not the standard of value, but merely a *subsidiary* currency. And such, we conceive, at the present moment, are dollars and half dollars in New York and New England; and golden sovereigns in Great Britain. The *practical* standard of value in New England is that impalpable thing, the *bank dollar*, and in Old England, that intangible something, the *bank pound.*

"The paper of the Bank of England," says Dr. Bollman, "preserves a value, as steady perhaps as any attainable, whilst the precious metals, like other commodities, fluctuate round this standard."

The Doctor said this in 1816, after the Bank of England had been in a state of suspension for eighteen or nineteen years, and four or five years before it resumed specie payments. Other writers of that day went so far as to assert that, "of all commodities, gold and silver fluctuated most in value."

There is more of truth in some of the views of the Anti-Bullionists, than some of their opponents have been willing to admit. Their system as a whole is an absurdity; but the absurdity consists, not in declaring that bank notes *are*, in paper money countries, the *practical* standard of value, but in maintaining that they *ought* to be.

It is a fact that, when the banks suspend specie payments, few things fluctuate so much in their paper money price, as gold and silver. And it is a fact that, so long as the banks pay specie, gold and silver remain steadily of one price, as estimated in paper money. But in neither case, as we conceive, are gold and silver what they ought to be, namely, the standard of value. They are made to be mere commodities; or, at best, a *subsidiary* currency.

Few doctrines are more pernicious than that which teaches that, so long as the banks pay specie, we have sound standards of value, and sound measures of value. The banks do then, indeed, keep two commodities, gold and silver, at fixed rates, as compared with paper, but they cause all others to fluctuate to a most ruinous extent. We doubt if the fluctuations in the prices of commodities generally, are not quite as great when the banks pay specie, as when they suspend. If the tables we have published of the prices of commodities at New York and Philadelphia be examined, it will be found that fluctuations in the one city have been quite as great as those in the other.

Our currency, in the best of times, cannot be said to be even *founded* on specie, though, in such times, it is possible to get specie for it freely, to a certain extent. It is founded on *cotton*, or rather on the whole amount of our exportable commodities, added to the whole amount of our credit in foreign countries. Just in proportion as the sum for which the total of our exports sells abroad, increases in amount, and just in proportion as we can, in addition thereto, run in debt abroad by sales of stocks, and by other contrivances, are our banks able to expand. For, then there is *little* or no demand for specie to pay foreign balances. Just in proportion, on the contrary, as the sum for which the total of our exports sells abroad, diminishes, and just in proportion as our credit abroad declines, are our banks compelled to contract. For, then there is a *great* demand for specie to pay foreign balances.

The currency of England rests on precisely similar principles; and as our principal sales are made there, and our principal credits are obtained there, every shock she feels, is felt in return by us.

Such is the wretched standard of value we have obtained by substituting bank medium for gold and silver money. It is a standard which is never the same for two years in succession, for in no two years together do our exports and imports bear the same relationships to one another, or does our credit in foreign countries remain unaltered. Instead of our money regulating our commerce and our credit, our commerce and our credit regulate our money. We exactly reverse the natural order of things. Our standard of value is bank credit, a something which we do not say is entirely without value, but which is of a very un

certain, and very fluctuating value. As a branch of commercial credit, it is affected by every political event that occurs. Nay, by every wind that blows. A woollen thread, or a piece of India Rubber, would be quite as good a standard of length.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. X.

Tuesday. Had a conversation to-day with McThwackem in relation to banking, viewed as a subject of *moral* concernment.

"As a moral and religious man," said Mac, "I have never said that the present system of banking was *exactly* right. Whatever support I have given to it, whether active or silent, has been founded on the supposition that it is the best the present circumstances of society will permit us to have. As our brother from the country told us a Sunday or two ago, "The fire of avarice is, in no allegorical sense, the fire of hell." This fire burns in every unregenerate human breast. What so convenient, then, as to have chimneys to carry off the smoke it produces; and what contrivances can be more convenient for this purpose than our present banking institutions?

"Do men suppose that by putting an end to paper money banks, they will put an end to that cupidity in which paper money banking has its origin? Nay, I tell them it will break out afresh in some new place, and perhaps with redoubled violence. The evil is *in* man, and it *will* manifest itself. In barbarous countries, it naturally takes the form of *force;* in civilized countries, it as naturally takes the form of *fraud.* The Arab *robs;* the American *cheats:*—I beg pardon, *financiers.** It has been said that our banking system is the greatest system of fraud ever known. Well, let it be so. What does this prove but that we are the most highly civilized people on the face of the globe? A perfect system of fraud is the natural concomitant of a very high stage of civilization."

McThwackem is a *truly* philosophical divine. I could listen to him with pleasure from Monday morning till Saturday night.

Thursday. I have been endeavoring for some time to contrive something for the benefit of my country; and at length I have hit upon a plan which must, I think, be eminently successful.

We have, as has justly been observed, all the elements of wealth in the United States. We have plenty of *land,* millions of acres indeed more than we can cultivate:—plenty of *pork;* in Illinois it is selling at one cent a pound:—plenty of *great men;* some of them, I believe, would be very glad to throw the others overboard. All we want is *plenty of money,* and this is what my plan is intended to supply.

I have taken my hint from the New York "Free Banking" system. The capital of banks founded on that system, consists of mortgages on land, and State stocks—such, for example, as stocks of Indiana and Illinois. This is very well as far as it goes; but it does not go far enough. My object is to carry out the principle, and convert *all* the capital of the country into credit, and *all* the credit into currency.

If real estate can be converted into bank stock, why not also personal estate. The latter, in many cases, would be more convenient than the former, as it might be more readily used in meeting a *run* on a bank.

My plan, if carried out, will just *treble* the riches of the country. First, by enabling every man to create bank stock, exactly equal to the value of his whole estate, real, personal, and mixed. Secondly, by enabling him to issue currency equal in amount to his bank stock, or to the estate, real, personal, and mixed, on which his bank stock should be founded.

My plan is a truly *Democratic* one; for it proposes to convert every man in the country into a banker, and let him have a share in the profits of the paper money business. If a man's whole capital consists of only one old coat and one old pair of breeches, I would have him found bank stock thereon, and issue currency to an equal amount with his stock. The New York plan was very *Aristocratic,* inasmuch as it confined "Free Banking" to holders of real estate and mortgages, and owners of State stocks.

Will it be objected that the notes issued on my plan, would not rest on a good foundation? I reply that they would rest on a much better foundation than many of the bank notes now in circulation. Not a few of the notes which now circulate most widely, represent nothing but stock notes and accommodation notes in the port folios of the banks, and these stock notes and accommodation notes never did represent any thing but the cunning of one portion of the community, and the credulity of another. Notes issued on *my* plan, would, in all cases, represent *real* wealth, not indeed gold and silver, but the *equivalents* of gold and silver. They would represent houses, lands, provisions, clothing, furniture—the very things, in fine, which men desire as *ends;* and to get possession of which they hanker after gold and silver as *means.*

On this plan, we should have both a *sound* currency and a *sufficient* currency. We should have what the whole nation now so intensely desires, namely, "*plenty of money.*" At least, if this plan will not supply us with "plenty of money," I know no other that will.

Sunday. Great was my mortification to-day, after I was seated in my pew, when I looked up, and beheld the same old drawler in the pulpit that had preached, or tried to preach, the Sabbath before the last. Had it not been that I had invited several members of our Board to accompany me to meeting, I would have immediately left the house. As an office-bearer in the church, I am obliged to walk very circumspectly, for fear of offending the weaker brethren. But *such* a sermon!

The text was Genesis, chap. xxiii, v. 16.—*And Abraham hearkened unto Ephron; and Abraham weighed to Ephron the silver, which he had named in the audience of the sons of Heth, four*

* Dr. McThwackem ought rather to have said—The American cheats, or *is cheated:*—financiers, or is the *victim of financiering.*

hundred shekels of silver, current money with the merchant.

From this the miserable old proser took advantage to descant in favor of hard money, and against paper.

"He knew," he said, "that he might be regarded as *behind the times*. If he was, he gloried therein. The money of the patriarchs, the prophets, and the apostles, was good enough for him.

"Perhaps there would be more truth in alleging that he was in *advance* of the present times. Paper money, if not the latest, was one of the worst inventions of SATAN. If truth and righteousness ever prevailed on earth, (and he trusted that day would yet come) *false* money would be as much abhorred by men, as other false measures and false weights.

"It was a great mistake," he said, "to suppose that there was not enough of gold and silver in the world to serve the purposes of money. According to the most able writers, the whole quantity of the precious metals in Europe and America, is not less than four or five thousand millions, and in the four quarters of the globe not less than ten thousand millions. Gold and silver exist in this abundance, and to what better use could they be applied (supposing the whole amount to be required for this purpose,) than to forming *sound* standards and *sound* measures of value? What can compensate for the want of *honest* money?

"It is not difficult," he continued, "to point out a reason why gold and silver had not been made more abundant than they are. If they had been made as plentiful as copper or as tin, they would in a great bulk have comprised so small a value, as not to have answered the purposes of money. It was necessary that they should be limited in quantity, in order to serve some of the uses for which they were intended. And it was just as evident that gold and silver were intended to be the material of our money, as that wool and flax were intended to be materials for our clothing. There were no other objects in nature that could possibly, in nations having an extensive commerce, adequately perform the functions of standards of value, and measures of value—that could truly serve the purposes of MONEY. And no nation had ever attempted to supplant gold and silver money, by the introduction of some 'cheaper medium,' without sooner or later suffering therefrom the most deleterious consequences.

"How true is the saying of the author of the book of Ecclesiastes;—"God hath made man upright; but they have sought out many inventions."

Of all church-going men, I am certainly the most unfortunate. It has not been my luck to listen to a *truly* orthodox discourse, more than twice or thrice in the last three months.

FINANCES OF THE UNITED STATES.

The Secretary of the Treasury has informed Congress that the demands on the Treasury, will, in the months of March, April, and May, exceed the means of the Treasury, in the amount of three million dollars. To meet the deficit, he proposes a fresh issue of Treasury notes.

A gentleman who has recently been at Washington, has addressed us a note, in which he says, "Government will fail in its credit. It cannot borrow till it has a revenue that will pay ordinary expenses, interest on the existing debt, and leave a surplus of two millions to discharge part of the principal. Till it has such a revenue, it cannot borrow in Europe, nor here, at any rate, for six months to come. I fear that, to avoid the unpopularity of taxing, Treasury notes will be issued to such an excess, that they will depreciate greatly in value, or that *fiscal notes* will be issued to serve as a currency, on the principle of the Assignats, or the old Continental Money. The country will submit to any plan for making money plenty."

We seem to be rapidly hastening back to the condition in which we were before the adoption of the Federal Constitution, and all owing to the violation of some of the plainest provisions of that Constitution.

ROBERT MORRIS.

This gentleman was, as our readers know, the father of paper money banking in the United States. The following notice of him we extract from the Travels of the Marquis de Chastellux, a French officer, who was in this country during the latter part of the revolutionary war.

"I hurried to make acquaintance with Mr. Morris. He is a very rich merchant, and consequently a man of every country, for commerce bears every where the same character. Under monarchies it is free: it is an egotist in republics: a stranger, or, if you will, a citizen of the universe, it excludes alike the virtues and prejudices that stand in the way of its interests. It is scarcely to be credited, that amongst the disasters of America, Mr. Morris, the inhabitant of a town just emancipated from the hands of the English, should possess a fortune of eight millions, (i. e. of *livres*, equal to one million and a half of dollars.) It is, however, in the most critical times that great fortunes are acquired. The fortunate return of several ships, the still more successful cruises of his privateers, have increased his riches beyond his expectations, if not beyond his wishes. He is, in fact, so accustomed to the success of his privateers, that when he is observed on a Sunday to be more serious than usual, the conclusion is, that no prize has arrived in the preceding week."

To this account, the translator adds the following, by way of note.

"Mr. Morris has certainly enriched himself greatly by the war; but the house of *Willing & Morris* did a great business, and was well known in all the considerable trading towns of Europe, previous to that period. Mr. Morris had various other ways of acquiring wealth besides privateering; amongst others, by his own interest, and his connections with *Mr. Holker*, then Consul General of France. At Philadelphia, he frequently obtained exclusive permission to ship cargoes of flour, &c., in the time of general embargoes, by which he gained immense profits. His

situation gave him many similar opportunities; of which his capital, his credit, and his abilities always enabled him to take advantage. On the strength of his office as Financier General, he circulated *his own notes of Robert Morris*, as cash, throughout the continent, and even had the address to get some assemblies, that of Virginia, in particular, to pass acts to make them current in payment of taxes. What purchases of tobacco, what profits of any kind, might not a man of Mr. Morris's abilities make, with such powerful advantages?"

LEGAL DECISION.

Some time ago a case was brought before the Court of Common Pleas, of Dauphin County, Pennsylvania, after a hearing of which, the Judge decided "that a payment in current bank notes discharged a debt, even though the bank had previously failed, *provided both parties were ignorant of the fact*."

The case was recently taken to the Supreme Court, and there the decision of the Court below, was unanimously confirmed by the Judges. The Chief Justice remarked, that, by the conventional rules of business, a transfer of bank notes was regulated by different principles from a transfer of other promissory notes. "They are lent," said he, "by the banks as cash;" they are paid away as cash; and the language of Lord Mansfield was not too strong when he said, "*they are not goods, nor securities, nor documents for debts: but are treated as money, as cash, in the ordinary course and transaction of business, by the general consent of mankind, which gives them the credit and currency of money to all intents and purposes. They are as much money as guineas themselves are, or any other coin that is used in common payments as money or cash.*"

The Chief Justice admitted, in the fullest manner, the right of any man to decline receiving bank notes in payment for a debt, and to ask payment in coin. "But," says he, "where the party has accepted, *without reserve*, what the conventional laws of the country declare to be cash, his claims to any thing further is at end. The creditor agrees to take the risk of the banks' solvency when he makes its notes his own, and accepts them as cash, without any qualification."

This decision of the Supreme Court of Pennsylvania, is in exact accordance with the doctrines we have always proclaimed, namely, that bank notes are, to all practical intents and purposes, the *money* of the country. They are what determine prices. They are what discharge debts. They are, however, a *false* and *deceptive* money. They cannot adequately *measure values*, except when the commencement and the conclusion of enterprizes are brought very close together.

If bank notes were, what some suppose them to be, *mere* commercial medium, mere *substitutes* for money, the use of them would not be objectionable. But they have this character only when they are for large amounts, and take the place which would otherwise be filled by bills of exchange. When they are of such small amounts as to form a part of what is called "the consumptive circulation," they become *money*; but money of such a character as deceives every man who enters into contracts on time, or engages in enterprises which it requires a long time to bring to completion.

The intention of the framers of the Constitution was that this should be a hard money country. But this intention has been completely frustrated by the establishment of paper money banks.

POETRY.

The following lines by Alexander Pope, might serve as a model for a poem which might extend to some hundred verses.

Blest paper credit, last and best supply,
That lends corruption lighter wings to fly;
Gold, imp'd by thee, can compass hardest things,
Can pocket States, can fetch or carry Kings.
A single leaf shall waft an army o'er,
Or ship off Senates to a distant shore.
A leaf, like Sybil's, scatter to and fro,
Our fates and fortunes as the winds shall blow;
Pregnant with thousands flits the scrap unseen,
And silent sells a King, or buys a Queen.

HOUSES TO LET.

Any country gentleman who wishes to remove into a city, can be very conveniently accommodated just now in Philadelphia, provided only he can compass the means. First of all, we have "for sale or to rent," the edifice of the United States Bank. It is a very beautiful building of white marble, Doric order, a colonnade in front and another in the rear. The ground on which it stands cost 100,000 dollars, and the building is commonly reported to have cost 250,000 dollars: but we believe it to have cost nearly double that sum. Next we have "for sale or to rent," the Pennsylvania Bank on Second street. This also is of white marble, with a colonnade in front and another in the rear, and has attached to it a beautiful garden. This is of the Ionic order. Then there is the Girard Bank, on Third street. Its front is of white marble, and it has a colonnade in front. Order, Corinthian.

Take your choice, gentlemen, Doric, Ionic, or Corinthian. It will be difficult to find in any other American city, three buildings equal to these in richness of material, and beautiful simplicity of style.

RESUMPTION OF SPECIE PAYMENTS.

This is the order of the day. In Pennsylvania we are, it is said, to have immediate resumption —at least if Act of Assembly can bring it about. In Maryland it is to take place in May. In New Jersey in August. In Virginia it is to be made contingent on resumption in Pennsylvania and Maryland. And in Louisiana it is to take place in September.

Supposing the effort to succeed, the result will be merely *a rebuilding* of the OLD system. We firmly believe it would be easier to establish a

new and comparatively sound system of banking, than to rebuild the old one. We believe it would be better for the people, and better for the banks. But for so thorough going a proceeding, neither banks, nor people, nor legislative bodies, seem to be prepared, and this resumption movement, with its effects, is to form a new chapter, or rather a new book comprising many chapters, in the History of Banking.

PENNSYLVANIA.

We are in bad condition in Pennsylvania. We have, it is true, an extensive territory, a fertile soil, unbounded mineral riches, and every facility for commerce and manufactures. We have, moreover, a population of 1,700,000, consisting principally of people who are industrious, frugal, and enterprising. Our wealth is very considerable. The property assessable for county purposes, is estimated at not less than five hundred million dollars; and the annual products of the State at not less than two hundred millions.

Notwithstanding this, the State Government is *bankrupt*. It owes about forty million dollars, and has begun extensive lines of "internal improvement," which cannot be abandoned without loss; and to raise the means of finishing which seems to be impossible. To negotiate fresh loans in the market, or to extort much more from the banks, is impossible. Taxes cannot be levied in time to meet the demands of the clamorous creditors of the public. There is no recourse, but in the issue of State script, in such amounts as to serve as a circulating medium. And this, *the last step downward* in the progress of the paper credit system, is the step about to be taken by the authorities at Harrisburg.

The Committee of Ways and Means of the House of Representatives, have brought in a bill, which is intended to authorise the issue of such script to the amount of 1,800,000 dollars, wherewith to pay for work done upon, and materials furnished for, the different lines of internal improvements. These certificates are to bear interest; but as they are to be of as low an amount as five dollars, interest on them from short periods will be hardly appreciable. This, and their being receivable in payment of dues to the State, will make them a kind of circulating medium, unless they should sink so low in value as not to be available for this purpose.

These "distress notes" (such we hope they will be called) will be of less value than the present "relief notes," because they will not be receivable in payment of debts due to the banks. But they will be of more value than State stocks, because they will be receivable in payment of debts due to the State, (which State stock is not,) and because issued for small amounts. The receipt of them will, by many persons, be a matter not of choice, but of necessity. They will have to take them, or take nothing.

In paying a debt to the State, "distress notes" will be preferred to "relief notes," because of less value. Thus the revenue of the State will be paid in the worst medium.

The difficulties of the banks will be considerably increased, because the burden of redeeming the "relief notes" by receiving them in payment of debts, heretofore shared between the banks and the State, will, hereafter, be thrown almost entirely on the banks.

Thus we go on, from bad to worse.

MARYLAND.

In Baltimore there have been some fears of a popular out break. Crowds, or "simultaneous meetings," as they have been called, gathered nightly in the streets, "to discuss matters and things in general, and the currency in particular." They generally preferred the front of the brokers' offices or currency shops for their assemblages: and at one of their meetings they burned the effigy of Senator *Scott*, because the said Senator had voted against resumption of specie payments.

The Baltimore correspondent of the Philadelphia Ledger, writing under the date of March 5th, says, "Crowds have gathered nightly in the Monument Square, with no ostensible purposes, and remarks of a most angry character could every where be heard. As yet no outbreak has taken place, though there is a universal apprehension that, unless something is speedily done, the dark mutterings will end in a perfect hurricane of destruction. I fear the issue, knowing as I do that the civil authority are firmly backed by the military, every company having been under orders for immediate movement for the past week."

So, then, these are some of the effects of our paper money system. By it the people are driven to the very borders of desperation, and then the military are called out to support the civil authorities!

Happily, in the present case, popular feeling manifested itself in a peaceful manner. About four or five hundred of the citizens of Baltimore, repaired to the capital, Annapolis, and marched with banners and music to the State House. On the hill they arranged themselves, and were then addressed by one of their delegates. After this a venerable and aged clergyman "addressed the throne of grace, invoking Divine aid in directing the deliberations of the guardians of the people, and that they might conduce to their relief and aid." After appointing a committee of their number to deliver their memorial, the whole mass retired in a quiet and orderly manner, first calling on the Governor.

BANK FAILURES.

The Central Rail Road and Banking Company of Georgia, has suspended specie payment. The Chancellor of New York has caused an injunction to be served on the Watervliet Bank at West Troy. In our western exchange papers, we observe no confirmation of the report mentioned in our last, of the failure of the Bank of Xenia. On the contrary, its credit is represented to be as good as that of any other of the country banks of Ohio.

PHILADELPHIA.

Our banks, and brokers, and "business men" have all been thrown into confusion by the strange proceeding of the Legislature.

No longer ago than May last, the Legislature entered into a *covenant* with certain banks, the condition of which was, that if the said banks would aid the Legislature in violating or evading that provision of the United States Constitution which prohibits the issue of *bills of credit*, then the said banks should be released for four or five years from the obligation of paying their debts to the people. It was a covenant which neither banks nor Legislature had a right to make; but it *was* made, and the "relief banks" shaped their course accordingly.

The banks that did not enter into this "covenant," conducted themselves, generally speaking, with great prudence, issuing few notes of their own, and receiving deposits only on condition of paying them "in current funds," by which they meant inconvertible paper.

The Girard Bank broke, and then the Bank of Pennsylvania, and, immediately on the heel of the latter event, a bill was introduced into the House of Assembly to coerce the *immediate* resumption of specie payments! The whole movement was so strange that it led many persons to question the intelligence of the members of the Legislature, and some even went so far as to doubt the purity of their motives.

The bill was bandied about for some time between the House and the Senate: but it at length received a majority of the votes of the members of both Houses, and on Saturday was signed by the Governor.

On Monday, March 14, the banks should have resumed specie payments, "according to the Act of Assembly." But the "relief banks" threw themselves on their reserved rights, and the other banks declared that they had no official notice of the passage of the law! No specie was paid.

In what is to follow, we shall have new revelations of the character of the paper money system, and of the kind of legislation to which it leads. If there is any design of substituting *State* paper money, for *Bank* paper money, the public will not be gainers by the change.

ACKNOWLEDGEMENTS.

Our thanks are due to a member of Congress, (to whom we were previously under obligations,) for a list of subscribers at Naufalia and two other Post Offices in Marengo County, Alabama. To a member of the Senate of South Carolina, (who has repeatedly laid us under obligations,) for an addition to our list of subscribers in that State. And to the Secretary of the Senate of Michigan, (who also has repeatedly laid us under obligations,) for additions to our list of subscribers in Michigan.

We have some thoughts, if we can make room for it, of publishing a list of subscribers at the end of the year. It is an old fashioned way of doing business: but we belong to the old school. It would afford us an opportunity of acknowledging our obligations to each gentleman who has aided us by his subscription: and would be useful in enabling the friends of sound currency and sound credit in different parts of the country, to become acquainted with one another. It is a list in which no man need be ashamed of seeing his name. In point of genuine respectability, our subscription list is probably inferior to none in the country; though, of course, very inferior to many in point of numbers.

To the Hon. Messrs. Benton, Young, and Woodbury, of the U. S. Senate, and the Hon. Fernando Wood, of the U. S. House of Representatives, we are indebted for public documents and other papers. We regret that our limits do not enable us to give copious extracts from some of the documents and other papers that are sent to us, and extended notices of others.

☞ The "History of Banking from 1817-18 to 1818-19," begun in our last, is continued on the next page.

Saturday, March 12, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	⅜ a ½ dis.	3 a — pr.
New Hampshire	⅜ a ½ dis.	3 a — pr.
Vermont	— a ½ dis.	3 a — pr.
Massachusetts	⅜ a ½ dis.	3½ a — pr.
Rhode Island	⅜ a ½ dis.	3½ a — pr.
Connecticut	⅜ a ½ dis.	3½ a — pr.
New York City	Standard.	4 a 4½ pr.,
New York State	— a 1½ dis.	3 a 4 pr.
East Jersey	— a ½ dis.	— a 3½ pr.
West Jersey	— a 5 dis.	Par a 1 dis.
Philadelphia	— a 5 dis.	Standard.
Pennsylvania, East	5 a 10 dis.	Par a 5 dis.
" West	5 a 10 dis.	1 pr. a 5 dis.
Delaware	5 a 6 dis.	Par.
Baltimore	— a 2½ dis.	2 pr.
Maryland	— a 5 dis.	Par a 3 dis.
District of Columbia	— a 5 dis.	1 pr.
Virginia	8 a 9 dis.	6 a 7 dis.
" West	8 a 12 dis.	20 dis.
North Carolina	— a 6 dis.	1½ dis.
South Carolina	—a 3 & 4½ dis.	4 pr. a 1 dis.
Georgia	— a 10 dis.	2 a 40 dis.
Alabama	— a 20 dis.	14 a 15 dis.
Louisiana	10 a 25 dis.	3½a 15 dis.
Mississippi	— a — dis.	20 a 80 dis.
Tennessee	— a — dis.	12 a 15 dis.
Kentucky	— a 12 dis.	10 a — dis.
Missouri		10 dis.
Illinois	— a 50 dis.	30 a — dis.
Indiana	— a 15 dis.	15 a — dis.
Ohio	— a 10&15dis.	10 a 15 dis.
Michigan	— a 10&20dis.	10 a 18 dis.
American Gold, (new coinage)	Par a — p.	3½ a 4½ pr.
Sovereigns	4.85 a ——	5.05 a 5.12
Heavy Guineas	5.00 a 5.05	5.25 a ——
Spanish Doubloons	16.25 a 16.50	16.80 a 17.00
Patriot Doubloons	15.70 a 15.90	16.40 a 16.60
Spanish Dollars	2½ a 4½ pr.	5 a 6 pr.
Mexican Dollars	¼ a ½ pr.	4 a 5 pr.
Five Franc Pieces	93½ a 94 cents	98 a 1.00
Half Dollars	Par.	3½ a 4½ pr.
BILLS OF EXCHANGE ON		
London	7½ a 8 pr.	12½ a 13 pr.
France	5.30 a ——	no sales.
Holland	39½ a 39¾	do.
Hamburg	35⅝ a —	do.
Bremen	76½ a —	do.
Boston	Par a ¼ dis.	4 a 4½ pr.
New York		4 a 4½ pr.
Philadelphia	3½ a 4 dis.	
Baltimore	1 a 1¼ dis.	1¾ a 2½ pr.
Richmond	8 a 8¼ dis.	5 a 6 dis.
North Carolina	5 a 5½ dis.	
Charleston	1½ a 1¾ dis.	1 a — pr.
Savannah	2 a 2¼ dis.	— a 3 dis.
Augusta	2½ a 2¾ dis.	
Columbus	— a — dis.	
Macon	13 a 14 dis.	
Mobile	15 a 15¼ dis.	14 a 15 dis.
New Orleans	5¾ a 6 dis.	5 a 7 dis.
Natchez	25 a 30 dis.	— a — dis.
Nashville	15 a 18 dis.	— a — dis.
St. Louis	20 a 25 dis	
Louisville	7½ a 7¾ dis.	5 a — dis.
Cincinnati	6 a 7 dis.	— a — dis.
Michigan	9 a 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	6 a 11	9¼ a 10½
Mobile	6½ a 10¾	9½ a 10¾
Upland	5¼ a 9½	8 a 10
Flour, Western Canal, per bbl.	6.00 a 6.25	
Philadelphia	5.87½ a ——	5.75 a 5.87½
Rye Flour	3.75 a 3.87½	3.94 a 4.00
Indian Meal	3.00 a 3.12½	2.75 a 3.12½
Grain—Wheat, per bush	1.25 a ——	1.25 a 1.28
Rye	62½ a 65	65 a 70
Corn	58 a 60	50 a 58
Oats	40 a 50	41 a 43
Iron, Amer., Pig, No. 1, per ton	30.00 a 32.50	— a 31.00
Bar rolled	75.00 a 80.00	75.00 a 77.50
Lead, Pig, per lb.	3¾ a 4	4½ a 4¼
Tobacco, Richmond, per lb.	3 a 6	4 a 7¼
North Carolina	3 a 5	
Kentucky	3 a 6½	3½ a 8
Wool, American, Merino, per lb.	34 a 36	37 a 40
Common	18 a 22	28 a 32
Whiskey, Rye, per gal	17 a 18	19 a 20
Provisions, Mess Beef, per bbl.	7.25 a 8.00	8.00 a 9.00
Mess Pork, per bbl.	7.12½ a 9	7.50 a 8.00
Hams, per lb.	7 a 7½	6 a 8
Lard, per lb.	4 a 6½	5¼ a 7½
Cheese, per lb.	7 a 8½	9 a 10
Rice, per lb.	2⅞ a 3	3½ a 3⅞

The local banks, when a sudden demand was made on them for balances due to the United States Bank, had no way of meeting those demands but by pressing on their own customers. The pressure thus became general throughout the country.

The committee of Congress say, that the demands of the United States Bank against the local banks, "were suffered to accumulate improperly, instead of being gradually reduced as specie was required at other offices, and in small quantities that would not have been felt. Their reduction was not insisted upon sufficiently early; and when the bank began to call for specie, its demands were so considerable as not only to expose the local banks, but the citizens in their vicinity, generally, to very severe pressure."

The situation of the community was very alarming. Mr. Niles, in his Register of October 3d, intimates that "a grand scheme was maturing 'for keeping the paper-mill a going.' The first part of the scheme is to *prepare* the members of Congress to vote as directed at the ensuing session of Congress. Of what is designed to be done, when a sufficient number of members are secured, we are almost wholly in the dark at present: but we believe one of the things proposed is, the substitution of a *paper currency* as a LEGAL TENDER instead of coin, which is frequently hinted at in certain newspapers, as if to feel the public pulse." In his Register, of November 7th, he says, "We have several times darkly hinted at a great intrigue which was going on to relieve the banking system, generally, and especially to subserve the grand views of the bank of the United States. I am just now informed of what this intrigue is: but private honor will not permit me to mention it at present. The object is, *by bits of paper to prevent the banks from being compelled to pay their debts*. This is the long and the short of the whole affair. Aye, and the pretence is most specious, the appearance most seducing; but the instantaneous effect will be to banish money, and bring about those happy times when lordly banks issued notes for six and a quarter cents and a copper coin was a rarity. To effect this arrangement, many of the local banks will co-operate—to seal their own ruin: for the bits of paper above alluded to, will immediately centre in the Bank of the United States. Perhaps, as the people are alarmed on this subject, the project may not be pressed; though we have reason to believe that much exertion has been made to convince certain members of Congress of the propriety of it: and we were astonished to learn that a distinguished gentleman, of whom, indeed, we expected a different conduct, had boldly predicted the triumph of the United States Bank over the local institutions. Upon my conscience, I would rather agree to have an hereditary president and a senate for life, than that this thing should happen. In the latter case, our president and senators might be influenced to good actions by a sense of *individual* shame, or a love of true glory, and the choice of representatives would be left free to us: but in the other, an unknown and irresistible aristocracy would be raised up, secret as the 'council of ten,' and 'remorseless as the inquisition.' Give me to live under any despotism but that which springs from the command of money: for it is the most base and unprincipled of all.

"But Congress will not, cannot, *dare* not pass the law, proposed to pamper speculation. They may prohibit the exportation of coin, if they please; still they cannot substitute a paper medium for it, and compel me to take it in payment of debts justly due me. And this it is which is fondly designed to be attempted—for the benefit of the rag-barons."

It is certain that letters were received at Washington from Philadelphia, in the early part of December, urging an emission of treasury notes; and that on the 7th of December, a meeting was held in Philadelphia, Mr. Matthew Carey in the chair, by which a committee was appointed to draft a memorial to Congress to prohibit the exportation of specie. Some of the members appointed on the committee declined acting, and no memorial appears to have been prepared; but a member of the Senate actually brought before that body a resolution to prohibit the exportation of the precious metals! What despotic Spain could never accomplish, was attempted in free America.

Towards the close of this year, public opinion became so adverse to the banks as to call forth strong denunciations of them from some of the high officers of State. De Witt Clinton, the governor of New-York, in his message to the legislature, reprobated the system in strong terms. "The embarrassments," he said, "arising from the disordered state of our currency, have increased, instead of diminished, since I had the honor to address the legislature on the subject. And unless sufficient preventives are adopted, and suitable remedies applied, the evil will be in a state of progressive augmentation. A proposition to invest banks with a power of coining money, would have no advocates, and

2*

yet it might not be so pernicious as the authority already granted of emitting bank notes. Having uniformly opposed the multiplication of banks, I now only express opinions formed for many years, after mature deliberation, and which are every day sanctioned by the progress of time, and the voice of experience."

Governor Worthington, of Ohio, in his message to the legislature, said, "the disordered state of the currency will claim your attention. The good people of the State look to you, gentlemen, for such remedy as may be within your power. The obstacles you have to encounter in effecting an object of so much importance cannot be disguised: indeed, I fear it may be found impracticable, under existing circumstances, to answer public expectation."

Gabriel Slaughter, the governor of Kentucky, was very pointed in his remarks to the legislature. "I am, indeed," he said, "ready to confess before my countrymen, that my sentiments, or perhaps prejudices, ever have been and still are, strongly against the banking system. Time and experience, instead of conquering these prejudices, have tended to confirm them. I have ever viewed these moneyed corporations with jealousy. I consider the corporate powers and privileges conferred on them, as so much taken from the power of the people, and a contrivance to rear up in the country a moneyed aristocracy. Money is power, in whatever hands it is placed: but it is less dangerous when divided among individuals, than when combined and organized in the form of banks. In vain did the American people, during the struggles for liberty and independence, destroy the landed aristocracy then existing under the law authorising estates to be entailed, if a money aristocracy is to be substituted. Instead of having our National and State Legislatures filled with men representing the feelings and interests of the great agricultural class of the community, I fear we shall see these banking aristocracies greatly preponderate on the legislative floor. I must ever be opposed to any system of policy, which, independent of its pernicious and corrupting influence in other respects, tends to diminish, if not to destroy, the weight and influence of the farming interest, upon whose virtue and independence the duration of our free institutions so essentially depends.

"While this system exists in our States, Kentucky can do little to rescue the country from the evil and anti-republican tendencies of these moneyed corporations. Let us therefore invite a co-operation in some plan, coextensive with the Union, to redeem this young and rising republic from the mischief and dangers of this paper system before it is too late. If permitted to progress and interweave itself with all the interests and concerns of society, it may, in a more advanced and dense state of our population, explode in a convulsion of the government. The disease, it is true, has taken deep root, but the American republic is young, and by a vigorous and determined effort, may, in a few years, exterminate it. Some time may be necessary to enable these institutions to wind up. To effect so desirable an object, I would recommend to the legislature, to propose an amendment to the Federal constitution, providing that after a certain period, no incorporated bank should exist in the United States, or if this should be thought going too far, and banks in any shape, or to any extent, are useful and necessary, let the banking powers be limited, and the system so regulated and restricted, as to secure the community against the wide spread ruin and mischief with which we are threatened."

These views appear to have been adopted by some members of the legislature, for on the 4th of January, 1819, Mr. Bledsoe submitted the following resolutions:—

1. *Resolved, by the General Assembly of the Commonwealth of Kentucky*, That the establishment of a moneyed monopoly is hostile to republican liberty.

2. *Resolved*, That banks are such a monopoly, and do not depend for their profits upon the correct employment of the products of industry.

3. *Resolved*, That as the products of the labor of a nation are the only genuine sources of national wealth, any corporation or institution which tends to substitute speculation instead of the proper and valuable fruits of this labor, must be pernicious, and ought to be abolished.

4. *Resolved*, That any corporation not promotive of, or essential to public good, ought not to exist.

5. *Resolved*, That all Banks wherein individuals are interested, are moneyed monopolies, tending to make profit to those who do not labor, out of the means of those who do: not tending to increase the means of industry, but to profit of those means unjustly: tending to tax the many for the benefit of the few: tending to create a privileged order, unuseful and pernicious to society: tending to destroy liberty, and create a power unfriendly to human happiness: tending inevi-

tably to an unfeeling moneyed aristocracy, more to be deprecated than monarchy itself; tending to the destruction of the best hopes of man here and hereafter.

6. *Resolved*, That it becomes the duty of the General Government, and of every individual State composing it, (gradually, if necessary, but ultimately and certainly,) to abolish all banks and moneyed monopolies, and if a paper medium is necessary, to substitute the impartial and disinterested medium of the credit of the nation or of the States.

We know not what was done with these resolutions.

CHAPTER XII.

Of Banking from 1818–19 *to* 1819–20.

A COMMITTEE of Congress, which had been appointed on the 30th of November, 1818, to investigate the affairs of the United States Bank, arrived in Philadelphia on the 6th of December, and left it on the 26th. Some investigations were subsequently made of the state of the branches at Richmond and Washington; and on the 16th of January, 1819, the committee made a report, giving an account of the operations of the bank, and concluding with a declaration that it had violated its charter, in four particulars, viz.: in purchasing two millions of public debt; in not requiring the stockholders to pay the second and third instalments of the stock in coin and funded debt; in paying dividends to stockholders who had not completed their instalments; and in suffering certain individuals, under pretext of their being attorneys for others, to give more votes for directors than the charter allowed.

Mr. Spencer, the chairman of the committee, offered a resolution to cause a *scire facias* to be sued out, to call on the corporation of the United States Bank, to show cause why its charter should not be forfeited, unless the bank would consent to certain alterations in the act of incorporation. Mr. Trimble offered a resolution to cause a *scire facias* to be issued immediately. Mr. Johnson offered a resolution to repeal the charter of the bank.

After the debate, Mr. Trimble's resolution was rejected on the 24th of February, thirty-nine members voting in its favor, and one hundred and sixteen against it. Mr. Johnson's resolution was supported by thirty members, and opposed by one hundred and twenty-one; and Mr. Spencer, discovering by these votes the position of the house, withdrew his resolution.

"We learn," says Mr. Niles "that about *forty* members are stockholders—some of them heavily so: *we hope that none of them voted in their own case.* The great danger of incorporations is, that the chief members of them are our governors, judges, and legislators; and thus their individual interests may be placed between the people and the justice that they claim."*

The bank was in more danger from its own operations, than from any proceedings of Congress. On the receipt in Philadelphia of the report of the committee, the stock fell to 93, and Mr. William Jones, the President, soon after fled in affright from the institution. Mr. Cheves, of South Carolina, was invited to take his place, and Mr. James C. Fisher, of Philadelphia, served as president *pro tempore*.

Three years afterwards Mr. Cheves gave the stockholders an exposition of the state of the bank, from which exposition we shall make a copious extract.

"The institution," he said, "commenced active banking operations about the 1st of January, 1817; and in the course of the year established eighteen branches. The report of the committee of Congress made in December, 1818, has made you so fully acquainted with many of the details of the previous management, that I mean to do little more in relation to the period which preceded 1819, than present the results, as they will be exhibited in the state of the bank when I came into it.

"The Bank immediately on its commencement did a very extensive business, imported vast sums of specie, paid its notes and those of the offices, without reference to the places where they were payable, at the bank, and all the principal offices north of the Potomac, while they were, under the charter, necessarily received everywhere, in payments of debts to the government of the United States: and drafts were given without limit, on the parent Bank and northern offices, by the western offices, at par or at a premium merely nominal. As soon as the notes of the southern and western offices were paid or received by the bank and northern offices, they were returned to them and reissued in perpetual succession. An accompanying exhibit will show the enormous amount of the notes of the southern and western offices,

* Weekly Register, Feb 27th, 1819.

which became chargeable on the bank, directly and indirectly, through the northern offices.* The result was, that the bank and the great northern offices were drained of their capital; and on the 20th of July, 1818, only eighteen months after the institution began its operations, it was obliged to commence a rapid and heavy curtailment of the business of the bank and its offices. During all this time, it had the advantage of immense government deposits. At the moment that curtailments were ordered, the government deposits in the bank and its branches, including the deposits of public officers, amounted to eight millions of dollars, and they had been larger at preceding periods. Curtailments were ordered from time to time, at the southern and western offices, to the amount of seven millions of dollars, and at the parent bank to the amount of two millions, though at the latter they were made to the amount of 3,600,000, and upwards, between the 30th of July, 1818, and the first of April, 1819. No curtailments were ordered at the offices of New-York and Boston, because there was no room for them, yet necessity obliged them to reduce their business very much. The curtailments at all points within the above mentioned date, being eight months, were 6,530,159 dollars 49 cents. Yet, after these immense and rapid curtailments, the most sensible and vital points (Philadelphia, New-York, and Boston,) were infinitely in worse condition than when the remedy was devised.

"An accompanying exhibit will show the distribution of the capital at the close of this important period.† At that moment the discount line of the important office at Boston, was only 94,584 dollars 37 cents. And when in this wretched state, the southern and western circulation was pouring in upon these weak points, and the government at liberty, according to the practice of the time, to draw on either office of the bank for the gross amount of its deposits, throughout the whole establishment, whether north, south, east, or west. The southern and western offices were not restrained from issuing their notes, which they did most profusely. The curtailments, in many instances, resulted merely in a change of debts bearing interest, for debts due by local banks, or the notes of local banks, on neither of which was interest received. The western offices curtailed their discounted paper, but they purchased what were called *race horse bills*, to a greater amount than their curtailments. The bank itself continued, during the whole period, to purchase and collect drafts on the southern and even western offices, though almost the whole of the active capital already lay in those quarters of the Union, and though the great object of the curtailments was to draw funds from these points. The debt due in Kentucky and Ohio, instead of being reduced, was within this period actually increased upwards of half a million of dollars. An accompanying exhibit will show, that, instead of getting relief from the southern and western offices generally, where curtailments had been ordered, the bank was still further exhausted by the intervening operations.

"At the commencement of this period, (a period commencing with the order for curtailments, and ending March, 1819,) the bank was indebted to Baring, Brothers & Co., Reed, Irving & Co., Adams, Robertson & Co., and Thomas Wilson & Co., the sum of 1,586,345 dollars 47 cents, growing principally, if not entirely, out of its specie operations. Of this sum the greater part was paid during this period. It had, however, contracted new debts with Baring, Brothers & Co., and Thomas Wilson & Co., of which there remained due, including any balance which may have been due on the former accounts, the sum of 876,648 dollars; and within the same period it had disposed of 2,270,926 dollars 65 cents of its funded debt; furnishing, by these compound operations, ways and means, in addition to its curtailments, to the amount of 1,561,229 dollars 13 cents, and making, with these curtailments, a reduction in the productive capital of the Bank, within the period of eight months, of eight millions of dollars and upwards.

"At the close of this period, the discounts on personal security at Philadelphia, had been so long the subject of curtailment, that but a small portion of them admitted of further reduction; and, after great efforts, a rule had been established to reduce the discounts which had been granted on the stock of the bank, at the rate of five per cent. every sixty days. The latter constituted the bulk of the discounted paper, and so small a reduction afforded no relief against a great and immediate demand. Even this small reduction was the subject of loud, angry, and constant remonstrances among the borrowers, who

* The total was $14,893,661, or $20,422,642 96, if we include 5,528,981 96 of post notes which were issued by the parent bank, and destroyed because they were used in the Southern and Western States, in lieu of bank notes.

† The office at New-York had a capital of 245,000 dollars: that at Richmond, 1,760,502; Baltimore, 5,646,000; Cincinnati, 2,400,000; Louisville, 1,129,000; Lexington, 1,500,000, &c.

claimed the privileges and the favors which they contended were due to stockholders, and sometimes succeeded in communicating their sympathies to the board. All the funded debt which was valuable had been disposed of, and the proceeds exhausted. The specie in the vaults at the close of the day, on the first of April, 1819, was only 126,745 dollars 28 cents, and the bank owed to the city banks, deducting balances due to it, an aggregate balance of 79,125 dollars 99 cents.

"It is true there were in the mint 267,978 dollars 9 cents, and *in transitu* from Kentucky and Ohio, overland, 250,000 dollars: but the treasury dividends were payable on that day to the amount of near 500,000 dollars, and there remained at the close of the day more than one-half of the sum subject to draft, and the greater part of the sum which had been drawn during the day remained a charge upon the bank, in the shape of temporary deposits which were almost immediately withdrawn. Accordingly, on the twelfth of the same month, the bank had in its vaults but 71,522 dollars 47 cents, and owed to the city banks a balance of 196,418 dollars 47 cents: exceeding the specie in its vaults 124,895 dollars 19 cents. It must again be remarked, that it had yet the sum before mentioned in the mint, as well as the sum *in transitu* from Ohio and Kentucky—this last sum (250,000 dollars) arrived very seasonably on the next day, or a day or two thereafter. The bank in this situation, the office at New-York was little better, and the office at Boston a great deal worse. At the same time the bank owed to Baring, Brothers & Co., and Thomas Wilson & Co., nearly 900,000 dollars, which it was bound to pay immediately, and which was equivalent to a charge upon its vaults to that amount. It had, including the notes of the offices, a circulation of six million dollars to meet, to which were to be added the demands of depositors, public and private, at a time, too, when the scarcity of money called forth every disposable dollar, and therefore created demands upon the bank for an unusual portion of the ordinary deposits and circulation.

"The sums which were collected daily on account of the revenue, in branch paper, were demandable the next day in Philadelphia, and, at the same time, at every office of the establishment, at the discretion of the officers of government. The revenue was principally paid in branch paper, as well at Boston and New-York as at Philadelphia, and while the duties were thus paid at one counter, in branch paper, the debentures, which amounted to one million of dollars every three months, were demanded and paid at the other, in specie or its equivalent—money of the place. Many additional details, increasing the difficulties of the moment, might be added. The southern offices were remitting tardily, and the western not at all. All the resources of the bank would not have sustained it in this course and mode of business another month!! Such was the prostrate state of the bank of the nation, which had, only twenty-seven months before, commenced business with an untrammelled active capital of twenty-eight millions of dollars.

"But it would have been fortunate for the institution if its danger had ceased here.—There still remained in some of the trusts of the bank, some of the men who had contributed most to involve it in this state of things. As I must be brief, and the subject is very extensive, I will advert only to the principal instance of the misfortune and profligacy to which I allude.

"In the office at Baltimore, of which James A. Buchanan was president, and J. W. M'Culloh was cashier, there were near three millions of dollars discounted or appropriated, without any authority, and without the knowledge of the board of the office, or that of the parent bank! S. Smith and Buchanan, of which firm J. A. Buchanan was a member, James W. M'Culloh and George Williams (the latter a member of the parent board by the appointment of government,) had obtained of the parent bank, discounts, in the regular and accustomed manner, to the amount of 1,957,700 dollars, on a pledge of 18,290 shares of stock of the bank. These men, without the knowledge of either board, and contrary to the resolves and orders of the parent bank, took out of the office at Baltimore, under the pretence of securing it by pledging the surplus value of the stock, already pledged at the parent bank for its par value and more, and other like surpluses over which the bank had no control, the sum of 1,540,000 dollars: this formed a part of the sum before stated to have been discounted by the president and cashier of the office, without authority.—When this stupendous fraud was discovered, attempts were immediately made to obtain security; and it was obtained nominally to the amount of 900,000 dollars. It was probably really worth 500,000 dollars.

"The losses sustained at the office at Baltimore alone, the great mass of which grew out of this fraud and others closely connected with it, have been estimated at the immense sum of 1,671,221 dollars 87 cents. The

aggregate of the losses of the institution, growing out of the operations which preceded the 6th of March, 1819, exceeded considerably 3,500,000 dollars. The dividends during the same time amounted to 4,410,000. Of this sum, 1,348,553 dollars 98 cents were received as the interest on the public debt held by the bank; which leaves, as the entire profits on all the operations of banking, the sum of 3,061,441 dollars 2 cents, which is less, by at least half a million of dollars, than the losses sustained on the same business!!

"When I was invited, and consented to fill the station I now hold, I was alike ignorant and inapprehensive of the situation in which I have just described the bank, (truly, I believe,) to have been. I was at the moment remotely situated from the scenes of its active business, and its important transactions. I had held, it is true, shortly before, to oblige my friends, a place in the board of the office at Charleston, at which I occasionally attended, and from what I saw there, as well as from the public facts concerning the transactions of the bank, I was satisfied that there was a great want of financial talent in the management of it. But I had not the faintest idea that its power had been so completely prostrated, or that it had been thus unfortunately managed or grossly defrauded. I never imagined that when it had, at so much expense and loss, imported so many millions of specie, they had been entirely exhausted, and were not yet paid for: nor that the bank was on the point of stopping payment. It was not until the moment I was about to commence my journey to Philadelphia, that I was apprised by a letter from a friend, who had been a member of the preceding board, that he feared, in a few months, the bank would be obliged to stop payment.

"This was, indeed, appalling news.—When I reached Washington, I received hourly proofs of the probability of this event. In Philadelphia it was generally expected. My memory deceives me if I found any one in or out of the bank, who entertained a sanguine belief of its being able to sustain its payments much longer. On the contrary, there was, (I think it cannot be forgotten,) a public and general expectation that the nation was about to suffer the calamity of a currency composed entirely of irredeemable paper.—The evil which thus threatened the country, is not at all to be compared with a suspension of sound currency in times of war, and great national emergencies. The former can only be conceived by a people who have suffered under a paper currency in profound peace. What a train of evils does it produce? The destruction of public and private credit, the national torpor, the individual ruin, the disgraceful legislation, and the prostration of the morals of the people, of which you may discover within your own territories some examples, will give you some, but a faint idea of the calamity which was about to fall on the country.

"Thus stood the bank at the organization of the present administration. I was elected and took my seat as president of the board on the 6th of March, 1819. But some time, of course, was necessary to look into the state of the bank before measures of relief could be projected. Its danger, however, was too manifest and too pressing to allow much time for this purpose. The principal errors which produced the danger were fortunately of easy discovery, and to them the proper remedy was immediately applied. The southern and western offices were immediately directed not to issue their notes, and the bank ceased to purchase and collect exchanges on the south and west. A special meeting of the board was called, which the non-resident directors were summoned to attend, for the 9th of April, (the next month,) and a correspondence with the secretary of the treasury was commenced, entreating his forbearance and his aid. To this officer I should be ungrateful and unjust, if I were not publicly to acknowledge my obligations, and those of the bank, for the countenance and support he afforded to both in this struggle.

"At a meeting of the directors on the 9th of April, which was very full, the state of the bank was submitted to them, a select committee appointed, to whom the subject of its difficulties was referred, and after very mature deliberation, that committee made a report, which was unanimously agreed to.—The principal means of relief proposed and agreed to were:

"1. To continue the curtailments previously ordered.

"2. To forbid the offices, at the south and west, to issue their notes when the exchanges were against them.

"3. To collect the balances due by local banks to the offices.

"4. To claim of the government the time necessary to transfer funds from the offices where money was collected to those where it was to be disbursed, as well as like time (until the difficulties of the bank were removed,) to transfer funds to meet the notes of offices paid in the bank, or other offices than those

where they were payable according to their *tenor*.

"5. To pay debentures in the same money in which the duties on which the debentures were secured, had been paid.

"6. To obtain a loan in Europe for a sum not exceeding 2,500,000 dollars, for a period not exceeding three years.

"These measures, simple and obvious as they are, and some of them so strangely overlooked so long, lifted the bank in the short space of seventy days, (from the 6th of March to the 17th of May,) from the extreme prostration which has been described, to a state of safety, and even in some degree of power; enabled it to cease its curtailments, except at points where it had an excess of capital, to defy all attacks upon it, and to sustain other institutions which wanted aid, and were ascertained to be solvent: above all, to establish the soundness of the currency, which had just before been deemed hopeless; and in a single season of business (the first) to give to every office as much capital as it could advantageously employ."

The bank was saved, and the people were ruined. For a time, the question in Market street, Philadelphia, was, every morning, not who had broken the previous day, but who yet stood. In many parts of the country, the distress was as bad as it was in Philadelphia, and in other parts it was still more deplorable.

"From all parts of the country," says Mr. Niles,* "we hear of a severe pressure on men in business, a general stagnation of trade, a large reduction in the price of staple articles. Real property is rapidly depreciating in its nominal value, and its rents or profits are exceedingly diminishing. Many highly respectable traders have become bankrupts, and it is agreed that many others must 'go:' the banks are refusing their customary accommodations: confidence among merchants is shaken, and three per cent. per month is offered for the discount of promissory notes, which a little while ago were considered as good as 'old gold,' and whose makers have not since suffered any losses to render their notes less valuable than heretofore."

Four months afterwards, he says,† "It is estimated that there are 20,000 persons *daily seeking* work in Philadelphia; in New-York, 10,000 able-bodied *men* are said to be wandering about the streets looking for it; and if we add to them the women who desire something to do, the amount cannot be less than 20,000: in Baltimore there may be about 10,000 persons in unsteady employment, or actually suffering because they cannot get into business. We know several decent men, lately 'good livers,' who now subsist on such victuals as two years ago they would not have given their servants in the kitchen."

A committee, appointed by a meeting of the citizens of Philadelphia, on the 21st of August, to inquire into the situation of the manufacturers of the city and its vicinity, reported, on the 2d of October, that in thirty mechanical and manufacturing branches of trade which they enumerated, which gave employment to nine thousand one hundred and eighty-eight persons in 1814, and to nine thousand six hundred and seventy-two in 1816, there were but two thousand one hundred and thirty-seven persons employed in 1819.

A committee of the citizens of Pittsburg, who made report on the 24th of December, stated that certain manufacturing and mechanical traders in their city and its vicinity, which employed one thousand nine hundred and sixty persons in 1815, employed only six hundred and seventy-two in 1819."‡

"Never," said the Frankfort (Ky.) Argus,§ "within the recollection of our oldest citizens, has the aspect of the times, as it respects property and money, been so alarming. Already has property been sacrificed in considerable quantities, in this and the neighboring counties, for less than half its value. We have but little money in circulation, and that little is daily diminishing by the universal calls of the banks. Neither lands, negroes, nor any other article, can be sold for half their value in cash, while executions to the amount of many hundreds of thousands of dollars, are hanging over the heads of our citizens. What can be done? In a few months no debt can be paid, no money will be in circulation to answer the ordinary purposes of human life. Warrants, suits and executions, will be more abundant than bank notes; and the country will present a scene of scuffling for the poor remnants of individual fortunes, which the world has not witnessed."

A Kentuckian, writing in the Edwardsville (Ill.) Spectator, confirmed this gloomy account.‖ "It has always," he said, "been my opinion, that of all evils which can be inflicted on a free State, banking establish-

* Weekly Register, April 10, 1819.
† Ib. August 7th, 1819.

‡ See the documents appended to the report of the Senate of Pennsylvania.
§ See Weekly Register, June 7th.
‖ See Niles, Sept. 11th, 1819.

ments are the most alarming. They are the vultures that prey upon the vitals of the constitution, and rob the body politic of its life-blood. Look now at Kentucky! What a spectacle does she present! Nothing is to be seen but a boundless expanse of desolation! Wealth impoverished, enterprise checked, commerce at a stand, the currency depreciated, all that was promotive of individual wealth, and all that was indicative of State prosperity and advancement, plunged into the great vortex of irremediable involvement. What incentive, now, has the farmer to industry and exertion? How fruitless would be the effort of the merchants to raise from their torpidity the fallen energies of the State!"

A writer in the Kentucky Gazette, quoted by Niles on the 9th of October, observed: "Slaves which sold some time ago, and could command the most ready money, have fallen to an inadequate value. A slave which hires for 80 or 100 dollars per annum, may be purchased for 300 or 400. A house and lot on Limestone street, for which $15,000 had been offered sometime past, sold under the officer's hammer for $1,800. A house and lot which, I am informed, was bought for $10,000, after 6,000 had been paid by the purchaser, was sold under a mortgage for $1,500, leaving the original purchaser (besides his advances) $3,500 in debt. A number of sales, which excited at the same time astonishment and pity, have occurred in this town. Comparison of local sufferings should not be indulged in, but I am told that Lexington is less afflicted than almost any other part of the State."

Bankruptcies for large amounts were of frequent occurrence. Mention is made, among others, of the bankruptcy of a merchant-tailor in the little town of York, Pennsylvania, who failed for the sum of eighty-four thousand dollars.*

This was, indeed, an important affair in a town containing but three or four thousand inhabitants; but it sunk into insignificance when compared with some of the failures in the large cities. "So extensive were these among the merchants of the cities east of Baltimore, that it seemed to be disreputable to stop payment for less than 100,000 dollars; the *fashionable* amount was from 2 to 300,000 dollars; and the tip-top quality, the support of whose families had cost them from 8 to 12,000 dollars a year, were honored with an amount of debt exceeding 500,000 dollars, and nearly as much as a million of dollars. The prodigality and waste of some of these were almost beyond belief: we have heard that the furniture of a single parlor possessed (we cannot say *belonging*) to one of them, cost 40,000 dollars. So it was in all the great cities—dash, dash, dash—venders of tape and bobbins transformed into persons of *high blood*, and the sons of respectable citizens converted into knaves of *rank*—through speculation, and the facilities of the abominable paper system."†

"I am told that one merchant, who lately failed to the eastward, yet lives in a house for which, and its furniture, he was offered 200,000 dollars in real money and refused it."

"Scenes of speculation are revealed and revealing that sober people had no idea of. Their effect penetrates through all classes of society. The day-laborer feels it, and suffers, because *Mr. Highflyer* could sign his name prettily, and thereby cause his paper to pass through *some* of the banks. The farmer who improved his plantation by building a costly dwelling on credit, is compelled to sell both farm and dwelling to pay the debts incurred in erecting the house!—a pipe of wine, or a Cashmere shawl, compels some merchants to stop payment! I have heard of one man who failed for more than $500,000, whose private wine vault, as it stood at the time of his bankruptcy, was estimated to have cost him $7,000. This is said to have happened in the sober city of Philadelphia.‡

"Twenty or thirty years ago, if a man failed for 100,000 dollars, the people talked as fearfully about it as about that time the old women did of the fulfilment of 'Love's prophecies,' who had determined that the world should come to an end before the close of the last century. But now, through the blessings of the 'paper system,' the facilities which it afforded, and the speculations it nourished, it is not *decent* for a man to break for less than 100,000; and if a person would be thought a *respectable bankrupt*, he ought to owe two or three hundred thousand or more. If with this extent of credit it should appear that he had not been worth one cent for twenty years, and was not entitled to be trusted for a pair of shoes, so much the better!—it is evidence of his qualities as a *financier*. And if, out of other people's money, he has given his wife 50,000 or 60,000 dollars, it shows his *prudence* in 'providing for his family.'§

* Weekly Register, November 9th, 1819.

† Weekly Register, June 5th, 1819.
‡ Ib. June 12th.
§ August 14th.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, March 30, 1842. No. 20.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

BANKING HISTORY.

We continue in the present number, pages 313—320, the history of the great *revulsion* occasioned by the operations of the banks in general, and of the United States Bank in particular, in the years 1819—21. Our sufferings in *these present times* are, *as yet*, hardly to be compared with what was endured in *those days*. But what we are yet to suffer, remains to be seen.

When paper money banks are in what is commonly regarded as an orderly condition, that is, paying specie, as they are at present in Great Britain and New England, they produce evils which never yet have been adequately described. When they are in a state of suspension, they produce other evils, which we need not attempt to depict, as every man south of New York, *feels* them in his business. But the evils which they produce when regularly paying specie, or when in a regular state of suspension, are as nothing when compared with the calamities they cause by efforts at *resuming* and *sustaining* specie payments, especially if those efforts are ill timed and ill directed. Some of these disastrous effects may not be felt immediately, but they will come to a certainty. And then perhaps the people will see, that the welfare of the public would have been promoted, by *gradually* winding up the banks, instead of endeavoring to rebuild the old system of fraud and iniquity.

THE REVULSION.

How far the present revulsion is to proceed, and how long it is to continue, no man can tell. The revulsion which began in 1818—19, cannot be said to have been over, as regards all parts of the country, sooner than 1828. But that was a revulsion which succeeded an inflation of the paper bubble in blowing up which the capital and credit of the people of the United States only had been employed. In producing that inflation, which reached its height in 1836, the capital and credit of all Europe as well as of America, were brought into play.

As action and reaction are equal in morals as in physics, we ought to expect the present revulsion to exceed the former in the same proportion that the expansion of 1836 surpassed that of 1818. Happily for us, Europeans are to share the losses with us. They own large amounts of our bank stocks, our State stocks, and our internal improvement stocks. In the former revulsion, the only losses they sustained, were through non-payment of commercial debts.

Happily for us, also, the country is now much more able to bear a revulsion than it was in 1818—19. *That* came upon us only three years after we had come out of an exhausting war. *This* comes on us after we have been for twenty or thirty years in the enjoyment of peace. Yet diseases seem sometimes to be violent in proportion to the strength of the subject they attack. The writhings of a giant when in convulsions are frightful.

Thus far the revulsion has, at least in Philadelphia and its neighborhood, taken a different direction from what it did in 1818—19. Then it was felt most severely by holders of real estate. Now it is felt most severely by holders of stocks.

When the former revulsion was at its height, the credit of the United States Government was so good, that its six per cents. readily brought 104 in the market. Already is the credit of the United States Government reduced so low, that its six per cent. Treasury notes (securities which are more easily negotiable than stocks) are below par.

Then the credit of the State Governments was good. Now all the State Governments to the

south and west of New York, four or five only excepted, are *bankrupt*.

The present revulsion will probably be felt most severely in the disorders it will produce in the financial affairs of the States and the General Government, and through them in the affairs of the people generally. It will be well if we escape from our present difficulties, without entailing on the rising generation the curse of a paper money issued by the authorities of the different States, or perhaps by those of the United States.

THE TIMES.

Wm. H. Crawford, who was Secretary of the Treasury during the period in which the effects of the former bank revulsion were most sensibly felt, in one of his reports to Congress, described many parts of the country as having not only an *unsound* circulating medium, but not a *sufficiency* even of that. As like causes produce like effects, they who have studied the history and principles of paper money banking, will experience no surprise on learning that such is now the condition of some parts of the Union. A respectable farmer in Illinois, writes to us that he has not seen five dollars of any kind of money in the last three months. The Frankfort Yeoman speaks of money as being scarcer in many parts of Kentucky than it had been for very many years. And Mr. Piper, a member of the Virginia House of Delegates, gives the following statement of the condition of affairs in that ancient Commonwealth.

"The pecuniary embarrassment that now pervades every portion of the Commonwealth, threatening ruin and disaster to all classes of society, is a fact as notorious as it is deplored. But however greater or however grievous this calamity may be in other sections of the Commonwealth, from various and peculiar circumstances it presses with accumulated violence and intensity on the south-western portion of Virginia. The intelligence received from every part of that country by every mail that reaches this city, discloses a scene of suffering, of anguish, and distress, that can scarcely be imagined.

"From the total absence or entire destitution of a circulating medium of any kind, money has ceased to be the standard of value of any thing. And instances are of constant and daily occurrence of valuable property being sold under execution for considerably less than what is sufficient to pay the officer's fees; leaving the unfortunate debtor bereft of his property—perhaps his only horse or his only cow, by which he was able to procure a subsistence for his family; and leaving the debt not only undiminished in any degree, but even greater than it was at first. Nor is this state of things confined to any particular class of citizens, but with a few individual exceptions it extends itself to all classes of the community."

Let no man be surprised if this should be the condition of affairs in many parts of the country. It is but the *necessary* consequence of revulsions in our banking system.

To supplant paper money *gradually* by specie, would be an easy task, if the proper measures were taken in the proper manner, and at the proper time. But bank revulsions deprive the people of the currency to which they have been accustomed, and cause the specie which is in the country to be hoarded more closely than ever. When every thing is falling in price, and every man is afraid to trust his neighbor, gold and silver come to be regarded as, if not the only profitable, the only *safe* investment. The daily trade is then (forced sales excepted) reduced to what is necessary to supply daily consumption. Many of those engaged in the preparation of fabrics to supply a *future* demand, are consequently deprived of employment; and distress pervades every portion of the community.

"THE SCIENCE OF CURRENCY."

In every man's notions of currency, there is more or less of truth, and probably in every woman's also. And it is very well that it is so, as otherwise neither man nor woman could go through with his or her daily business.

Go to your fish woman on Market street wharf, and offer to her a one dollar note of the Berks County Bank. "Sir," she will tell you, "notes of that bank will not pass now." Display to her then the contents of your pocket book, and let her have her choice of Indiana, or Illinois, or Alabama, or Georgia paper. "Sir," she will say, "I know nothing about the notes of those distant banks. Please to give me a city note." You offer to her a Moyamensing note, or, peradventure, a Penn Township. "Sir," she will tell you, "those notes were very good a short time ago, but they are now below par. Please to give me a note on one of the other city banks."

Go then to your broker on Third street. His knowledge of currency exceeds your fish woman's. He knows the price that Illinois, and Indiana, and Alabama, and Georgia notes bear in the market, and will give you current funds in exchange for them.

Next step into the warehouse of a merchant, not of a well read, reflecting, intelligent merchant, but one of that numerous class of traders whose mental vision is bounded by the four walls of their own counting houses. He has to make a

remittance to New York, and you will find that he has that knowledge of exchanges which will enable him to make the remittance at the least cost possible.

Then, enter one of our paper money banks, and converse with the cashier, and you will find that his knowledge of the rates of exchange, foreign and domestic, and of the easiest and cheapest way of making remittances, excels the merchant's exactly in proportion to the amount of transactions of this kind that he has daily or weekly to perform.

You wonder, perhaps, to find people of so little general intelligence, so very knowing on this particular subject. You ought not to wonder at it. They could not carry on their business without it. Bills of exchange are *commodities*, and it requires no more intellect to deal in them, than in cotton or in sugar. Perhaps it requires less.

Enter into a closer conversation with these people, and you will probably find that though their notions of money as a mere *circulating medium* are as correct as may be, they have no notions whatever of money as a *standard of value*, and as a *measure of value;* or, if they have any, they are as crude and as vague as possible. Your fish woman will tell you, perhaps, that "gold and silver have no intrinsic value, inasmuch as they can not be either eat or drunk." Your merchant will tell you, "that there is not gold and silver enough in the world to serve the purposes of money," and your broker and your banker will unite in affirming this declaration.

You wonder, perhaps, that people who know so much about money in one of its functions, should be so very ignorant of it in other respects. But you ought not to wonder at it. Your grocer weighs out your coffee and your sugar to you with great accuracy: but does he know any thing of the deep philosophy that is connected with weights and measures? If you should tell him that any given mass of matter, whether of coffee or sugar, or gold or iron, sustains an alteration in weight, every time it is carried a certain distance above or below the level of the sea, he will probably listen to you with doubt, or, if he takes you at your word, he will thank his stars that so much science is not requisite for weighing out coffee and sugar.

It is so with the broker, the banker, and the *mere* merchant. Their special concern with money is as a *circulating medium*, and not as a standard or measure of value. And as success in business depends much less on acquaintance with scientific principles, than on an accurate knowledge of details, it is to the acquisition of this latter knowledge that they devote all their attention. And so successful are they in acquiring this knowledge of details, that the ablest writers on money that ever lived, Sir Isaac Newton, John Locke, Adam Smith, or Jean Baptiste Say, would, if brought into competition with the least intelligent of our brokers and bankers, prove very unequal to them in the noble art of "turning a penny."

The mischief of it is, that those people whose business compels them to acquire a knowledge of *practical* details, because they know *something* about money, suppose they know *every thing*. They are ignorant of the fact that there is A SCIENCE OF CURRENCY, *or a regular system of truths relating to money and its substitutes*, and that this science, in order that it may be acquired, must be studied diligently as other sciences are. With their knowledge of details, which in its kind is admirable, they connect some of the vaguest notions possible in regard to money in some of its most important functions, and every man who does not agree with them in opinion, is, in their view, a mere *theorist*.

We beg not to be misunderstood. There are *many* merchants, *many* brokers, and *many* bankers, who have a competent knowledge of *The Science of Currency*. But they have acquired a knowledge of this science, as they have acquired a knowledge of other sciences, by *study*. They did not get it by intuition. Neither did they get it by practical attention to the details of their business. In bringing this science to its present state of perfection, many of the finest minds in the world have been employed, and the experience of many countries and many ages has been brought into requisition. To see the whole extent of truths which have thus been brought together, and, what is of great importance, *to see them in their proper connection*, is impossible without a study of the writings in which they are to be found.

THE BANK OF HAMBURGH.

The Bank of Hamburgh, Germany, is merely a bank of deposit; but is found to answer an exceedingly and extensively useful purpose in facilitating commercial transactions. The money deposited with it, lies in its vaults. The person who has a thousand marks standing to his credit on the books of the institution, knows that he actually has so much silver in its cellar, and that the figures under his name in the folio of the bank ledger, are actually represented by bullion, and

that he can obtain the amount at a moment's notice. While a bank thus constituted cannot, evidently, afford any interest to those having money deposited with it, it is plain that its deposits consist of only the unemployed capital of the city, and such amounts as are required for wholesale transactions, and transferred from the accounts of one merchant to those of another. A certain sum is paid by those who have the privilege of keeping an account with the bank, and the amount of this is regulated by the number of folios that are required to be written in the books of the establishment during a twelve month. The rate is understood to be a dollar for each folio. A small amount is also charged for warehouse rent, on each sum deposited. The bank derives an additional income from dealing in exchanges.

The Bank of Hamburgh has been in existence for more than two hundred years; and no doubts have ever been raised as to the fidelity of its management. When the French captured Hamburgh, they plundered the Bank, but afterwards they restored to it its treasure.

THE BANK OF AMSTERDAM.

This Bank, like the Bank of Hamburgh, was merely an office of deposit and transfer, not a bank of issue and discount. Of the amount of the treasure possessed by it, various conjectures have been made.

When the new Stadthuys was erected, the bank office was removed into a large vault in that magnificent structure; "where," says Sir Wm. Temple, in his Observations on the United Provinces, "is the greatest treasure, either real or imaginary, that is known any where in the world; and whoever is carried to see this bank, shall never fail to find the appearance of a mighty, real treasure, in bars of gold and silver, plate, and infinite bags of metals, which are supposed to be gold and silver, and may be so for aught I know. But the Burgomasters only having the inspection of the bank, it is impossible to make any calculation or guess what proportion the real treasure may hold to the credit of it."

Anderson, in his History of Commerce, in commenting on this passage, says, "it is generally taken for certain by all others who have written on this bank, that there is either cash, or bullion, or spare jewels, lodged in the vaults of the Stadthuys, equal to the amount of the whole credit of the bank."

A French author, referred to by Alldridge in his "Universal Merchant," made the total of treasure possessed by the bank, 400 million guilders, which sum is swelled in the Amsterdam edition of the same work to 800 or 900 millions. The first sum is equal to 160 million dollars, the second to 320 millions or 360 millions——an enormous amount of treasure, certainly, to be collected in one place.

Davenant seemed to be well assured, that the amount was at least 36 millions sterling; and from 30 to 36 millions sterling, or from 145 to 174 millions of dollars, is the sum generally agreed upon by writers.

In our "Inquiry into the Principles of the American Banking System," Chapter VI, we have said, speaking of the Bank of Amsterdam, "Millions of money which the merchants had deposited in its vaults, were lent by the Bank to the East India Company, and to the provinces of Holland and West Friesland. The fact was long kept secret, but was discovered when the French entered Amsterdam in 1794."

In making this statement, we were governed by the common historical authorities. But it is proper to state what we have lately learned from a highly respectable merchant, whose business has occasionally called him to Holland. He got the confidence of the burgo-masters, and they, in referring to these historical statements, mentioned that it would not be politic openly to contradict them, but denied that they were true. They affirmed that on the approach of the French, the money was secretly removed from the Bank, and such entries made in the books as to induce their invaders to believe, that it had been surreptitiously loaned. They laughed at the success of their stratagem.

The gentleman from whom we have this statement, firmly believes it to be true. And Alldridge, in an edition of his "Universal Merchant," published in 1797, adduces a good many arguments to show that the Bank of Amsterdam was always faithfully conducted. Some of his remarks we give below.

"The transactions of this bank are said to be confined within the real amount of treasure which it possesses, or, in other words, that for all the credit which is given in the books, it retains a correspondent value in bullion or coin. But on this point there has always existed a diversity of opinions and conjectures, and though not ascertainable but by those who are in the immediate management, yet it is almost universally believed by those persons who have the greatest interest in the credit of the bank, and the best opportunity to scrutinize. This belief is also confirmed by some corroborative circumstances which I shall here mention.

"In every political revolution, the promoters always endeavor to stigmatize their predecessors with corrupt or unfaithful practices: but this charge does not appear to have been ever exhibited against the persons in the management of the bank, in any of the convulsions to which the city of Amsterdam has been exposed.

"When the French army was at Utrecht in the year 1672, and threatened the reduction of Amsterdam, the bank continued to pay every demand that was made upon it with promptitude. Many of the pieces of coin which were then brought out of the treasury, bore the evident marks of injury by the fire which happened in the town house soon after its erection.

"These facts confirmed the public in the opinion which they had previously entertained, of fidelity in the successive directors of the bank. These directors are the four reigning burgomasters for the time being, who are changed every year; each successive set receiving the treasure from their predecessors, after a strict comparison of its real value with the correspondent value of it in the books. As this form is conducted with

all that solemnity which a sacred oath, a regard to character, and the general importance of the transaction demands, I think we may safely conclude that the public opinion is well founded."

In another passage, *Alldridge* says, "whenever a deposit is withdrawn, it is always delivered in the bag in which it was originally deposited." A practice like this, was admirably adapted for insuring fidelity in the management of the trust.

OBITUARY.

Within the last year we have, in Philadelphia, lost, by death, three of the best of our Political Economists.

The first of these in the order of mortality, was James Ronaldson. He departed this life on the 29th of March, 1841, aged 72 years. From the year 1792 or 1793, he was active in his opposition to the paper money system, endeavoring, by conversation, by occasional publications in the newspapers, and by small pamphlets published at his own expense and gratuitously distributed, to inculcate the true doctrines of money and of credit.

The next was Philip H. Nicklin. He died March 2d, 1842, aged 56 years. He was the first to give the American public an edition of Say's Political Economy. He was also the publisher of Vethake's Political Economy. And in various ways, by his pen and his purse, he contributed to the diffusion of the principles of a science which he justly regarded as the most important of the *secular* branches of knowledge.

The third was Condy Raguet. He died March 20th, 1842, aged 58 years. As a writer on currency, banking, and other branches of Political Economy, he has been known to the public for nearly thirty years. Some passages of a report which he made to the Senate of Pennsylvania in 1820, will be found in our present number, commencing on page 313. Other extracts from the same report, will be found in No. 16, pages 253–5; and in No. 17, page 266; and in No. 18, page 286. On page 252, in No. 16, will be found an extract from another report he made to the same body in 1821.

Of late years he has been the most zealous and the most industrious of all the Political Economists of the United States. No less than four journals were established by him with a view of diffusing a knowledge of this science, namely, The Examiner and Journal of Political Economy, The Free Trade Advocate, The Banner of the Constitution, and The Financial Register. As Editor of the Philadelphia Gazette, which post he occupied for some time, he opposed the schemes of folly which are now involving our State in ruin and disgrace. He also published a valuable treatise on Banking and Currency, and a volume of Essays on Free Trade.

As the opponents of the present banking system are not unfrequently denounced as a "detestable set of loco-focos, agrarians, levellers, destructives, infidels and atheists," it may not be amiss to give some further account of the three gentlemen whose deaths are above recorded.

With Mr. Ronaldson and Mr. Raguet our intimacy was very close and of many years' duration. Our intimacy with Mr. Nicklin was not of so long standing, but it was sufficient to enable us to appreciate the excellent qualities of his head and his heart.

The partiality of private friendship might be supposed to affect any testimony we might bear in their favor. We shall, therefore, refer to the citizens of Philadelphia generally: and we believe they will, without distinction of party or opinion, unite in declaring that these three gentlemen were among the most worthy of our citizens.

Mr. Ronaldson was a great friend to the useful arts, and spent much time and much money in endeavoring to bring them to perfection among us. With this object in view, he paid several visits to Europe. He was the first to introduce into the United States the important art of *type founding;* and to several other useful arts, he gave so much encouragement at their commencement, as contributed in no small degree to their successful establishment. He did not confine his attention to the different branches of mechanics and manufactures, but labored much also for the improvement of agriculture by introducing various new species of plants into the country. By his industry, intelligence and economy, he acquired an ample estate. By his will, after making suitable provision for his relatives, he distributed as much perhaps as fifty thousand dollars, in legacies of from 500 to 4000 dollars, among widows and others in the circle of his friends. But he acted true to his principles, in leaving nothing to corporations, ecclesiastical, scientific, or charitable; except a small legacy to the Franklin Institute, of which he was one of the founders: and another to the Philadelphia Cemetery Company which owed its establishment to his exertions. He had seen too much of the abuses of corporate trusts to be willing to place confidence in any of them: and all he left to the Franklin Institute was the amount of a bond for 500 dollars due by it to him; and to the Cemetery Company certain lots in their burying ground. Peculiar circumstances induced him to make these trifling exceptions in favor of these two associations.

Though Mr. Ronaldson, in the practice of the Christian duties, excelled many who are very loud in their religious professions, he was not formally connected with any ecclesiastical body. But Mr. Nicklin and Mr. Raguet were among the leading laymen in their respective churches: Mr. Nicklin in the Protestant Episcopal Church, and Mr. Raguet in the New Jerusalem Church.

Mr. Nicklin was a member of the Missionary Board, a trustee of the General Theological Seminary, a delegate to the General Convention of the Church, and a member of the Standing Committee (or Bishop's Council, as it is popularly called) of the diocese of Pennsylvania. The *Banner of the Cross*, and the *Episcopal Recorder*, both published in this city, bear the highest possible testimony in favor of his talents, his piety, and his usefulness. His pastor, the Rev. Dr. Dorr, Minister of Christ Church, and Rev. Dr. Doane, the Bishop of New Jersey, concur in declaring that he was, on theological subjects, the best read layman they ever were acquainted with. This, how-

ever, is but feint praise, compared with what these gentlemen say of Mr. Nicklin's moral character.

Mr. Raguet was one of the gentlemen who was most active in organizing the New Jerusalem Church, in the United States. He was a member of their first General Convention, which was held in this city in the year 1817, and we believe he was the originator of the call for that convention. Of many subsequent Conventions he was a member, and in various ways he labored for the diffusion of the doctrines of a Church, of the truth of which he was most firmly convinced. He died in great peace, and left a particular request that if his friends took any notice of his life or of his death, they would declare, as from him, that whatever ability he had had to discharge his duties to society, and that whatever there was worthy of approval in his conduct and character, he owed to his belief in the Christian religion, as set forth in the writings of Emanuel Swedenborg.

To those who know nothing of the writings of Baron Swedenborg except from common report, it may seem strange that so close a reasoner as Mr. Raguet was on all questions of Political Economy, should have embraced a system which they have been led to believe is nothing but a collection of the wildest vagaries of the imagination. If he erred here, he erred in company with many other men of good general intelligence. In proportion to their numbers, the New Jerusalem society in Europe and America, embraces more literary and scientific men than are to be found in any other religious communion. Connected with "the visions" in Swedenborg's writings, there is a very deep system of religious philosophy, taking in the whole circle of moral, intellectual, and physical nature. Whether the system is false or true, is to be judged of after careful and candid examination, and not from common report. We are not to be understood as expressing any opinion of its truth or falsity.

Mr. Raguet was originally a merchant. By the revulsion of 1818–19, he was suddenly reduced from affluence to poverty. It was his own experience in part that opened his eyes to the true nature of our paper money system. He started in life with the opinion so common among merchants, "that our banking system is all right in principle, and that the evils it produces are all owing to errors in its management." We need not say to what extent inquiry and observation compelled him to modify this opinion. His own writings show it.

After the expiration of his term of service as a Senator of Pennsylvania, Mr. Raguet was appointed Consul at Rio Janeiro, and subsequently *Chargè d'Affaires* at the Court of Brazil. His situation here during the latter part of the time, was a very trying one. The Brazilians searched our vessels, captured our ships, impressed our seamen, and imprisoned our citizens. They perpetrated against us nearly all the offences for which we, in 1812, went to war with Great Britain. In vain did Mr. Raguet protest against these outrages. The government at home (Mr. Adams being then President, and Mr. Clay Secretary of State) did not send a single ship of war to that station, nor did he receive from them a single line of instructions. Under these circumstances, no course was left to him, but to transfer the seat of negotiations to Washington. He accordingly embarked for the United States, and the Brazilian Authorities, seeing from this bold movement that they would no longer be permitted to trample with impunity on American rights, immediately despatched Mr. Rebello after him to make the proper concessions to the United States Government.

The usage of all Governments is, when a diplomatic agent is compelled in the discharge of his duty to leave his post, to give him another of at least equal dignity. This act of justice the Administration then in power neglected to perform to Mr. Raguet: and we regret to add, that the Administration which succeeded it, failed to remedy the wrong he had sustained.

From the time of his return from Brazil, Mr. Raguet was chiefly employed in editing various journals of Political Economy, till within a few years of his death, when he was appointed President of the Atlantic Insurance Company of this city. It was a point of conscience with him, to make the discharge of the duties of any station to which he was appointed, his object of primary concern. From this time, consequently, the duties of his office, and those of President of the Chamber of Commerce, and other honorary posts which he filled, occupied most of his attention. But he did not abandon his favorite studies.— Much of his leisure out of office hours was employed in writing essays for the public papers intended to elucidate various questions of Political Economy. He never meddled with personal politics!

To some, an obituary notice may at first seem out of place in such a periodical as the Journal of Banking. But when they reflect on the deep interest Messrs. Ronaldson, Nicklin and Raguet, took in the question, and the length of time they labored for the advancement of such objects as we have in view, they will see that our Journal would be incomplete without some notice of their lives and labors.

The friends of sound currency and sound credit have, moreover, borne too long in silence the reproach of being "a miserable set of loco-focos, disorganizers, radicals, levellers, destructives, agrarians, infidels, and atheists." We must, at least when our leading men die, be permitted to vindicate their memory from such aspersions.

If our limits would allow us to give at length the various testimonials respecting James Ronaldson, Philip H. Nicklin, and Condy Raguet, that have appeared in different political, religious, and scientific periodicals, they would be found fully to sustain all that we have said of their excellence of conduct and of character.

BANK FAILURES.

In this number we have to record the failure in Philadelphia of the Penn Township Bank, the Mechanics, the Manufacturers & Mechanics, and the Moyamensing. In the interior of Pennsylvania, of the West Branch Bank at Williamsport, the Berks County Bank at Reading, and the Northampton Bank at Allentown.

At New Orleans, of the Merchants, the Improvement, the Atchafalaya, the Orleans, and the Exchange Bank.

In Illinois, of the State Bank of Illinois at Springfield, and of its numerous branches in different parts of the State.

And in New York of the Clinton County Bank.

BANK DEFAULTS.

Mr. Simon O'Callaghan, paying teller of the Atchafalaya Bank at New Orleans, has proved to be a defaulter to a large amount,—according to report from one hundred and fifty to two hundred thousand dollars.

He has gone off, it is said, with Mr. Edward Yorke, late president of the Exchange Bank, and purchaser of the Merchants' Bank, who is said also to be a defaulter to a large amount.

Mr. Thomas L. Budd, clerk of a bank at Nashville, Tennessee, has been convicted of embezzling its funds, and making false entries in its books, and sentenced to five years' imprisonment.

From the statements in the western papers, there seems to be no longer any doubt that Mr. Wm. McK. Ball, late cashier of a branch of the Real Estate Bank of Arkansas, is a defaulter. He threatened, as our readers may recollect, to visit with signal punishment those who had brought this charge against him; but it appears that he has made his final escape to Texas.

Mr. Hosea Levis, former cashier of the Schuylkill Bank of this city, has left Texas, and is now on his way to Louisville, to give testimony in a case which is intended to decide the question whether the Schuylkill Bank or the Northern Bank of Kentucky is to be responsible to those who purchased certificates of the stock of the Northern Bank of Kentucky, fraudulently issued in this city. It is thought the testimony of Mr. L. will be very interesting, and that it will throw on others part of the censure which he has hitherto had to bear alone.

PENNSYLVANIA.

Delegates from about sixteen of the country "relief banks" met at Lancaster about two weeks since, and passed resolutions declaring that they were, by the provisions of "the relief act," exempted from the operations of the "resumption law." They agreed, however, to pay out silver for the purposes of small change, and some of them have since effected at least a nominal resumption on all demands payable at sight.

Country relief notes, which are bought by our city brokers at 20 and 25 per cent. discount, are said to be paid out by the State Treasurer at par; and the public creditors are forced to take them or take nothing.

A correspondent of one of the papers, affirms that the movement for *immediate* resumption has operated in a manner very different from what was intended by some of those who were apparently most desirous of a return to specie payments. He says, the object they really had in view was to coerce the banks that did not accept the law, into the issue of a new batch of "relief notes;" and he declares that the floating debt of the State amounts to *six million dollars!* Surely there is some mistake here. The committee of the House of Representatives reported a bill for the issue of only 1,800,000 dollars of circulating script.

Bills to impose additional taxes have been reported, and are talked about, but are not passed into laws. As a former tax bill, which was, according to calculation, to have yielded by a certain period 500,000 dollars, produced but thirty thousand, it is evidently much easier to legislate about revenue than to collect it in Pennsylvania. And as the most the State will receive for tolls and taxes will be in its own depreciated bills of credit, it will be destiute of available means for paying to foreign creditors the interest on the funded debt due in August next. Under these circumstances it is not surprising that the stock of the State should be daily falling in value, and that some cases have occurred of five per cents. being sold at 35 for 100 paid. As the claims of the contractors and laborers on the public works were, in February last, postponed to make room for the claims of the holders of stocks, why should not the claims of the holders of stocks be postponed in August next, to make room for the claims of the contractors and laborers? Yet the holders of State stocks ought not to sacrifice them. The State's rail-roads and canals will ultimately be transferred to them, and these, though they hardly pay expenses when under the management of officers of Government, may become productive when under the control of a company.

Petitions have been sent to the Legislature from both the eastern and western parts of the State, to pass an act "to prohibit brokers from shaving the relief notes!!" This, our readers will say, shows little knowledge of the nature of circulating credit. What will they say when we tell them that a bill intended to coerce a circulation of relief notes at par, was not long since introduced into our House of Representatives, and actually received the votes of 37 members of that honorable body!

FINANCES OF THE UNITED STATES.

Treasury notes bearing 6 per cent. interest having been sold in New-York and Philadelphia at five or six per cent. discount, and in Washington itself at five per cent. discount.

The Government is getting alarmed, and not without cause. The President has sent a message to Congress, recommending a repeal of "the distribution act," and additional taxes in the form of an increase of duties on imports. Both these measures are necessary to place the credit of the United States on a firm basis. But something should be done *immediately:* and we know of nothing more eligible than *funding* part of the treasury notes now out, at 7 per cent. interest. It is on this principle the British Government acts, when it finds that it has issued exchequer bills in excess.

As to an old fashioned loan, supposing it possible to negotiate it, it could be got only from the banks, or the depositors in the banks, and a loan of bank credits to any great amount to Government, would greatly increase the present commercial embarrassments, even if it should not lead to a general suspension of specie payments by the banks of New-York and New-England.

PHILADELPHIA.

We mentioned in our last, that on Monday, March 14th, our banks should have resumed specie payments, according to "Act of Assembly." But they did not resume on Monday, nor on Tuesday, nor on Wednesday, nor on Thursday.

Nor did some of them so much as attempt to resume, for they found they could not stand "the runs" that were made upon them, not for specie, but to exchange one bit of paper for another.—The Penn Township broke, and then the Mechanics, the Manufacturers, and the Moyamensing. They had, in the aggregate, a capital of 2,500,000 dollars. Add this to the capital of the United States Bank, the Girard, the Pennsylvania, and the Schuylkill, and it makes a total of $46,250,000. In old times, banks used to break in Boston, in New York, and in Baltimore; but no instance occurred of a bank failure in Philadelphia till Mr. Levis, by his superior financiering, caused the Schuylkill Bank to stop payment.

The Banks which now remain are the Philadelphia, the Commercial, the Farmers and Mechanics, the North America, the Northern Liberties, the Southwark, the Western, the Kensington, and the Germantown, having in the aggregate a nominal capital of about seven million dollars, but a real capital of only one-third or one-fourth of that amount if the price their stock bears in the market is any test of its value.

These nine banks resumed specie payments on the 18th and 19th of March, and their conduct has been imitated by all the banks in the State of Delaware, (five in number, or nine if their branches be included,) by six banks, it is said, in West Jersey, and by about fifteen in the interior of Pennsylvania.

It is almost unnecessary, we presume, to say that we look upon such a resumption as this, as one of the *effects* of the paper money disease. Had a different method been adopted, hundreds of thousands of dollars might have been saved for the noteholders, hundreds of thousands for depositors, and hundreds of thousands for those widows, orphans, and others, who have invested their little all in bank stock. But, as was observed in our last number, no instance is on record of a paper money system being reformed. In all countries into which it has been introduced, the enormity has gone on increasing till it has exploded. And this resumption may only hasten a general explosion, which, according to the signs of the times, is not far distant.

BANK OF THE UNITED STATES.

The case of Nicholas Biddle, Joseph Cowperthwaite, and John Andrews, accused of a conspiracy to defraud the stockholders of the Bank of the United States, was brought before a Judge of the Court of Common Pleas, on a writ of habeas corpus. After a full hearing, the Judge refused to discharge them, chiefly, as it would appear, on technical grounds. They then had their case brought by writ of habeas corpus before the Judges of the Court of General Sessions, who have not, as yet, given their decision.

☞ We have some acknowledgements to make, but are obliged to defer them to our next number.

The "History of Banking from 1818–19 to 1819–20," begun in our last, is continued on the next page.

Saturday, March 26, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	⅜ a ½ dis.	1½ a — dis.
New Hampshire	⅜ a ½ dis.	1½ a — dis.
Vermont	— a ½ dis.	1½ a — dis.
Massachusetts	⅜ a ½ dis.	1 a — dis.
Rhode Island	⅜ a ½ dis.	1 a — dis.
Connecticut	⅜ a ½ dis.	1 a — dis.
New York City	Standard.	½ a — dis.
New York State	par a 1½ dis.	1 a 4 dis.
East Jersey	— a ½ dis.	1 a — dis.
West Jersey	— a 5 dis.	Par a 5 dis.
Philadelphia	— a ½ dis.	Standard.
Pennsylvania, East	— a — dis.	Par a 15 dis.
" West	— a — dis.	1 pr. a 5 dis.
Delaware	— a 1 dis.	Par.
Baltimore	— a — dis.	1 dis.
Maryland	— a 5 dis.	Par a 5 dis.
District of Columbia	— a 5 dis.	1 dis.
Virginia	— a 8½ dis.	8 a 10 dis.
" West	15 a 20 dis.	15 a 25 dis.
North Carolina	— a 6 dis.	6 a 6½ dis.
South Carolina	— a 3 & 4½ dis.	4 a 5 dis.
Georgia	— a — dis.	2 a 40 dis.
Alabama	— a — dis.	20 a 25 dis.
Louisiana	10 a 25 dis.	3½ a 30 dis.
Mississippi	— a — dis.	— a — dis.
Tennessee	— a 25 dis.	20 a 22 dis.
Kentucky	— a 10 dis.	10 a — dis.
Missouri		10 dis.
Illinois	— a 50 dis.	50 a — dis.
Indiana	— a 15 dis.	20 a — dis.
Ohio	— a 10&15 dis.	10 a 15 dis.
Michigan	— a 10&20 dis.	10 a 18 dis.
American Gold, (new coinage).	Par a —	par a —
Sovereigns	4.85 a ——	4.85 a ——
Heavy Guineas	5.00 a 5.05	5.00 a 5.08
Spanish Doubloons	16.25 a 16.50	16.25 a 16.50
Patriot Doubloons	15.70 a 15.80	15.70 a 15.80
Spanish Dollars	2½ a 4⅜ pr.	2 a 3 pr.
Mexican Dollars	¼ a ½ pr.	par a ——
Five Franc Pieces	93½ a 94 cents	93 a ——
Half Dollars	Par.	par a ——
BILLS OF EXCHANGE ON		
London	6 a 7 a 7¼ pr.	6½ a 7¼ pr.
France	5.37½ a ——	5.35 a 5.37½
Holland	39¼ a 39½	37½ a 39⅜
Hamburg	35¼ a —	35¼ a 35½
Bremen	76 a —	76¼ a ——
Boston	Par a ¼ dis.	par a ½ dis.
New York		par a ½ dis.
Philadelphia	par a ¼ pr.	
Baltimore	¼ a ½ dis.	¼ a ¾ dis.
Richmond	7¾ a 8 dis.	9 a — dis.
North Carolina	5 a 5½ dis.	
Charleston	1½ a 1¾ dis.	4 a — dis.
Savannah	2 a 2¼ dis.	6 a — dis.
Augusta	2½ a 2¾ dis.	
Columbus	— a — dis.	
Macon	14 a 15 dis.	
Mobile	20 a 22 dis.	26 a — dis.
New Orleans	7¼ a 8 dis.	10 a — dis.
Natchez	25 a 30 dis.	no sale.
Nashville	15 a 18 dis.	12½ a 15 dis.
St. Louis	20 a 25 dis	
Louisville	5 a — dis.	10 a — dis.
Cincinnati	6 a 7 dis.	10 a — dis.
Michigan	9 a 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	5½ a 11	9¼ a 10¼
Mobile	6¼ a 10¾	9½ a 10¼
Upland	5 a 9½	8 a 10
Flour, Western Canal, per bbl.	6.12½ a 6.50	5.50 a —
Philadelphia	5.87½ a ——	5.50 a 5.62½
Rye Flour	3.25 a 3.50	3.87½ a 4.00
Indian Meal	3.00 a 3.12½	2.75 a 3.12½
Grain—Wheat, per bush	1.25 a 1.26	1.19 a 1.22
Rye	— a 61	65 a 70
Corn	55 a 61	50 a 58
Oats	40 a 49	41 a 43
Iron, Amer., Pig, No. 1, per ton	30.00 a 32.50	— a 31.00
Bar rolled	75.00 a 80.00	77.50 a 80.00
Lead, Pig, per lb.	3⅜ a 3⅞	4⅛ a 4¼
Tobacco, Richmond, per lb.	3 a 6	4 a 7¼
North Carolina	3 a 5	
Kentucky	3 a 6½	3½ a 8
Wool, American, Merino, per lb.	34 a 36	37 a 40
Common	18 a 22	28 a 32
Whiskey, Rye, per gal.	16 a 17½	19 a —
Provisions, Mess Beef, per bbl.	7.25 a 8.00	8.00 a 8.50
Mess Pork, per bbl.	7.12½ a 9	7.50 a 8.00
Hams, per lb.	6½ a 7½	6 a 8
Lard, per lb.	4 a 6½	5¼ a 7
Cheese, per lb.	7 a 8½	9 a 10
Rice, per lb.	2¼ a 3	3½ a 3⅞

"The Federal Gazette of the 18th instant, contains *six* solid, formidable columns of advertisements, by order of the commissioners for conferring the benefit of the 'insolvent laws' of Maryland—in all about sixty—which give the names, perhaps, of nearly one-third of the persons who are 'going through our mill' just at this time; several of whom are those that lately counted their affairs by hundreds of thousands, or by *millions* of dollars; who erected palaces, and furnished them with a degree of magnificence superior to that which many German princes aspired to—*who still live in splendid affluence, and indulge themselves in the most luxurious viands*—their wives and children, or some kind relative, having been made rich through their swindlings of the people."*

On the ninth of December, a committee of the Senate of Pennsylvania was appointed to inquire into the causes and extent of the public distress, and on the 29th of January, 1820, the committee made a report, through Mr. Raguet, their chairman. In it they said—

"In the performance of a duty of such high importance as that which has been intrusted to your committee, they have felt it incumbent on them to enter at large into the investigation of the subject contemplated by their appointment, in order that the people of the present day may be correctly informed as to the extent and causes of the evil by which they are oppressed, and that the records of the House may be furnished with a document, which may afford evidence at a future day of the miseries which it is possible to inflict upon a people by errors in legislation, and by the bad administration of incorporated institutions.

"In ascertaining *the extent* of the public distress, your committee has had no difficulties to encounter. Members of the legislature from various quarters of the State, have been consulted in relation to this subject, and their written testimony in answer to interrogatories submitted to them by the committee, has agreed, with scarcely a single exception, on all material points. With such a respectable weight of evidence, added to that which has been derived from the prothonotaries, recorders and sheriffs of the different counties, from an intercourse with numerous private citizens residing in different parts of the State, as well as from the various petitions presented to the legislature, your committee can safely assert, that a distress unexampled in our country since the period of its independence, prevails throughout the commonwealth.—This distress exhibits itself under the varied forms of—

"1. Ruinous sacrifices of landed property at sheriff's sales, whereby, in many cases, lands and houses have been sold at less than a half, a third, or a fourth of their former value, thereby depriving of their homes, and of the fruits of laborious years, a vast number of our industrious farmers, some of whom have been driven to seek, in the uncultivated forests of the west, that shelter of which they have been deprived in their native State.

"2. Forced sales of merchandise, household goods, farming stock, and utensils, at prices far below the cost of production, by which many families have been deprived of the common necessaries of life, and the implements of their trade.

"3. Numerous bankruptcies and pecuniary embarrassments of every description, as well among the agricultural and manufacturing, as the mercantile classes.

"4. A general scarcity of money *throughout the country*, which renders it almost impossible for the husbandman or other owner of real estate to borrow at a usurious interest, and where landed security of the most indubitable character is offered as a pledge. A similar difficulty of procuring on loan had existed in the metropolis previous to October last, but has since then been partially removed.

"5. A general suspension of labor, the only legitimate source of wealth, in our cities and towns, by which thousands of our most useful citizens are rendered destitute of the means of support, and are reduced to the extremity of poverty and despair.

"6. An almost entire cessation of the usual circulation of commodities, and a consequent stagnation of business, which is limited to the mere purchase and sale of the necessaries of life, and of such articles of consumption as are absolutely required by the season.

"7. A universal suspension of all large manufacturing operations, by which, in addition to the dismissal of the numerous productive laborers heretofore engaged therein, who can find no other employment, the public loses the revenue of the capital invested in machinery and buildings.

"8. Usurious extortions, whereby corporations instituted for banking, insurance, and other purposes, in violation of law, possess themselves of the products of industry without granting an equivalent.

* Weekly Register, October 23d, 1819.

"9. The overflowing of our prisons with insolvent debtors, most of whom are confined for trifling sums, whereby the community loses a portion of its effective labor, and is compelled to support families by charity, who have thus been deprived of their protectors.

"10. Numerous lawsuits upon the dockets of our courts and of our justices of the peace, which lead to extravagant costs and the loss of a great portion of valuable time.

"11. Vexatious losses arising from the depreciation and fluctuation in the value of bank notes, the impositions of brokers, and the frauds of counterfeiters.

"12. A general inability in the community to meet with punctuality the payment of debts even for family expenses, which is experienced as well by those who are wealthy in property, as by those who have hitherto relied upon their current receipts to discharge their current engagements.

"With such a mass of evils to oppress them, it cannot be wondered at that the people should be dispirited, and that they should look to their representatives for relief. Their patient endurance of suffering, which can only be imagined by those who have habitually intermingled with them at their homes and by their firesides, merits the commendation of the legislature, and prefers a powerful claim to their interference.

"Having thus enumerated the most prominent features of the general distress, your committee will proceed to point out the cause which in their opinion has occasioned it.—That cause is to be found chiefly in the abuses of the banking system, which abuses consist, *first*, in the excessive number of banks; and *secondly*, in their universal bad administration. For the first of these abuses the people have to reproach themselves, for having urged the legislature to depart from that truly republican doctrine which influenced the deliberations of our early assemblies, and which taught that *the incorporation of the moneyed interest, already sufficiently powerful of itself, was but the creation of an odious aristocracy, hostile to the spirit of free government, and subversive of the rights and liberties of the people.* The second abuse, the mismanagement of banks, is to be ascribed to a general ignorance of the true theory of currency and banking, and to the avarice of speculators, desirous of acquiring the property of others by an artificial rise in the nominal value of stock, and by the sharing of usurious dividends.

"In order that this subject may be clearly understood, your committee have thought that the following concise history of banking in Pennsylvania, would be acceptable."

The committee then give a short history of banking in Pennsylvania, and of the operations of the United States Bank, up to July, 1818, after which they proceed as follows:

"This unwise proceedure of replunging the people into the debts from which they had been partially extricated, and of involving others who had hitherto escaped, was continued for a time, but the dreadful day of retribution at length arrived. The Bank (that is the United States Bank) discovered almost too late, that its issues had been extended beyond the limits of safety, and that it was completely in the power of its creditors. It also foresaw that the payment of that portion of the Louisiana debt, redeemable on the 21st of October, 1818, which was held by foreigners, might occasion a demand for a considerable amount of coin, that the enhanced price of China, India, and other goods, *occasioned by the depreciation of the currency from the over-issues of itself and the State banks*, would lead to a demand for specie, and that as it was professedly a specie bank, and liable, under a penalty of twelve per cent. per annum, to pay its notes on demand, the same delicacy and forbearance would not be exercised towards it as to the State banks. These considerations compelled it to seek its own safety, and from that moment a system of reduction commenced. This reduction operating upon the State banks, which had not profited by the opportunity afforded them of contracting their loans whilst the other was extending, obliged them also to diminish their transactions; and a general curtailment ensued, which has not yet had its consummation. The severity of the second pressure commenced in the city in October, 1818, and was continued without intermission for a year; at the expiration of which time it is said that the reductions made there by the National Bank alone had exceeded seven millions of dollars, and those by the other banks probably two or four more. The reductions of the country banks during the last three years, may be inferred from the following statement, which exhibits the amount of their notes in circulation at four different periods.

November 1st,	1816	$4,756,460
Do.	1817	3,782,760
Do.	1818	3,011,153
Do.	1819	1,318,976

"From the foregoing history, it will be seen what influence has been produced upon

the affairs of the community by the operation of the banking system. Real property has been raised in nominal value, and thousands of individuals have been led into speculation, who without the facility of bank loans would never have been thus seduced. The gradual nominal rise in the price of land, has produced an artificial appearance of increasing wealth, which has led to the indulging of extravagance and luxury, and to the neglect of productive industry. Foreign importations and domestic consumptions have thus been carried to an extent far beyond what the actual resources of the country and people would justify, and in pursuing a *shadow*, the community has lost sight of the substance."

A similar committee of investigation, appointed by the House of Representatives, on the 13th of December, 1819, made report through their chairman, Mr. Wm. J. Duane, on the 28th of January, 1820, that,

"As to the extent of the distress, it might be answered, in the language of the resolutions under which your committee act, that it is general: it extends, indeed, to the pursuits and habitations of the former capitalist, as well as to those of the more humble farmer and mechanic: there is no part of the commonwealth into which calamity has not penetrated, or in which numerous victims have not been found. But with regard to the extent of the loss which the State has suffered from the destruction of capital, the emigration of our citizens to the wilderness, the stagnation of business, the deterioration of landed property, and the prostration of manufactories, and above all, in the change of the moral character of many of our citizens by the presence of distress, your committee are utterly unable to decide: the extent of the mischief, they believe, defies scrutiny and surpasses the power of calculation.

"From the numerous petitions which have been presented at the present session, your committee quote the following extracts, which describe scenes of distress such as have been seldom, if ever, before beheld on this side of the Atlantic:—

"Sundry citizens of Northumberland county declare—

'The currency is so diminished as scarcely to suffice for the transaction of the most ordinary business: the produce of the country has met with an unprecedented reduction: the greater part of the citizens of this once flourishing commonwealth, even with the utmost economy and industry, are scarcely able to obtain sufficient articles to sustain life: real and personal property are daily sacrificed, and become the prey of speculators: debts are unpaid, creditors are dissatisfied, and the prisons are crowded with honest but unfortunate persons, whose wives and children must be a burden on the township, or suffer for want of the mere necessaries of life.'

"Sundry citizens of Wayne county represent—

'From the fall of every kind of produce, the scarcity of the circulating medium, and other causes, the general distress in our part of the State hath become so great and alarming, as to call for the attention and wisdom of the legislature. Our most industrious citizens are no longer able to meet their engagements, but their hard-earned property is daily sacrificed at a nominal value, and falling into the hands of a few speculators.'

"Sundry inhabitants of Pike county assert—

'At no time, since the Revolution, has greater distress been felt than at the present moment. We consider the banking system to have been the principal cause: instead of becoming, as was predicted, blessings to the people, banks have become like the scorpions among the children of Israel, perfect beasts of prey. The property of the great portion of our industrious people is brought to sale at one-fourth of its value, and struck off to speculators, leaving honest creditors unpaid, and families reduced to beggary.'

"Sundry inhabitants of Huntingdon county represent—

'That the mass of the people are utterly unable, at once, to pay their debts: that their property is selling at such rates, that even the fees of law-officers are not realized: that the industrious are impoverished, whilst the speculating part of the community are daily growing more wealthy: that the evil is only beginning, and demands legislative interposition.'

"A memorial from sundry citizens of the western parts of the State, asserts—

'That embarrassment is universal: that the sordid and avaricious are acquiring the sacrificed property of the liberal and industrious: that so much property is exposed to sale under execution, that buyers cannot be had to pay more for it than the fees of officers: that those mischiefs, instead of diminishing, are daily increasing, and that overtrading and the facility of getting credit have produced these effects.'

"The petition of the inhabitants of Fayette county represents—

'That the fictitious capital and boundless credit extended by banking, the almost universal spirit of speculation, the prostration of

manufactures by the mistaken policy of the national government, the introduction of luxuries and extravagancies, and a reduction of exports, have produced a long train of calamities: that industry is paralyzed—that the precious metals have vanished—that the banks are tottering—that litigation is unprecedented in extent, and ruinous in its effects—that many merciless creditors, not content with plunging unfortunate debtors into the most abject poverty, frequently take from them the whole of that property to themselves, which in better times would pay the sums due to all, leaving the unfortunate debtor in jail, and his family in misery.'

"These are but a few of the extracts, which might be presented to the House and placed upon the journal: but these are deemed sufficient, accompanied by the remark, that these representations are not only supported by all the other petitions presented at this session, but by the testimony of the members of the legislature, coming themselves from all quarters of the State."

The committee then give a short sketch of the commercial history of the country, after which they say—

"In defiance of all experience, and in contempt of warnings almost prophetic, which were given to them at the time, the people of Pennsylvania, during an expensive war, and in the midst of great embarrassments, established *forty-one* new banks, with a capital of seventeen and a half millions of dollars, and authority to issue bank notes to double that amount! In consequence of this most destructive measure, the inclinations of a large part of the people, created by past prosperity, to live by speculation and not by labor, was greatly increased: a spirit in all respects akin to gambling prevailed: a fictitious value was given to all descriptions of property: specie was driven from circulation, as if by common consent, and all efforts to restore society to its natural condition were treated with undisguised contempt."

These remarks are followed by a short view of operations subsequent to the war, after which the committee declare—

"A new measure, however, remained to be adopted, that was really to close the last scene in the drama of error: the currency had already nearly vanished, but was temporarily restored on the seaboard. The enormity of fictitious credit began to be felt: the abusive extent of paper issues was about to effect its own remedy in the State, when Congress created a *corporation*, with authority to circulate upwards of *one hundred millions* of a new paper medium—a corporation spreading its branches over the Union with the baneful influence of the fabled Upas.

"Awakened by the quick succession of events so disastrous, from the dream of perpetual prosperity under which they had so long been entranced, the people now find themselves involved in distresses, against which no provision had been made, and from which, they allege, they can find no refuge but in legislative interference."

CHAPTER XIII.

Of Banking from 1819–20 *to* 1820–21.

APPENDED to the report of the committee of the Senate of Pennsylvania, are a number of questions which were propounded to members of the legislature, together with the answers which were given. From these answers we have formed the following table of the price of the best improved land in Pennsylvania, at three different periods. The second column gives the price the land bore in the height of the speculation, which was in different counties in different years, as the banks extended their operations into them.

	1809.		1819.
Bedford,	$30 to 40	80 to 100 (1815)	20 to 30
Lebanon,	40 to 60	130 to 150 (1816–17)	50 to 70
Bradford and Tioga,	6 to 14	10 to 20 (1814)	3 to 10
Somerset and Cambria,		15 to 50 (1814)	5 to 20
Cumberland,	40 to 60	150 to 200 (1813–14)	25 to 40
Dauphin,	16 to 24	35 to 45 (1815–16)	12 to 15
Adams,	30 to 50	60 to 100 (1814)	no price.
Lancaster,	75 to 100	250 to 300 (1813–14)	50 to 70
Delaware,	75 to 120	100 to 150	40 to 75
Northumberland,	40 to 50	80 to 90 (1815)	30 to 40
Berks and Schuylkill,	80 to 100	150 to 200	80 to 100
Northampton, Wayne & Pike,	80 to 100	100 to 140 (1815–16)	15 to 20
Bucks,	50 to 60	100 to 110 (1814–15)	55 to 65
Huntington,	20 to 30	40 to 60 (1815)	20 to 30

The official valuation of real and personal property in the State of New-York, exhibits also a striking fall. It was, in—

1818,	$314,913,695,
1819,	281,862,793,
1820,	256,603,300.*

The depression of prices continued throughout the year 1820, and, though money was abundant with retired capitalists, the pressure on the great body of industrious people was very severe. "Our difficulties in commerce," said a director of the United States Bank, writing to a friend in England, "continue without abatement. Men in business are like patients in the last stage of consump-

* Niles, December 24th, 1821.

tion, hoping for a favorable change, but growing worse every day till they expire. Dismal as are the prospects on your side of the water, they are worse here. You have some regular and profitable trade—*we have none.* It is all scamper and hap-hazard." The director then states that in former times he would, without hesitation, have trusted some men among his customers with goods to the amount of 100,000 pounds sterling; but he adds, "now I do not know the persons doing business; and there is not one among them whose order I would take for 1,000 pounds. What a difference! A long continuance of distresses in the commercial world has had a bad effect on the morality of the country.—The vast number of failures takes away the odium. Men fail in parties for convenience: and the barriers of honesty are broken down by a perpetual legislation suited to the condition of insolvent debtors. We have now no imprisonment for debt. Credit is become very rare, as you may well imagine, for we have nothing to depend upon but a man's honesty. Besides our commercial distresses, we are suffering great alarm in this city (Philadelphia) from incendiaries, who have succeeded in setting fire to a great number of buildings. On Sunday evening our theatre was entirely destroyed.

"Houses which rented for 1,200 dollars, now rent for 450 dollars. Fuel which cost 12 dollars, now costs 5½ dollars: flour which was 10 and 11 dollars, is now 4½; beef 25 cents, now 8 cents: other things in proportion. It is thus true we now pay less for these necessaries, but we can make no money. The farmer is become as poor as a rat; the labor of the farm costs him more than the produce is worth. He cannot pay the storekeeper, and the storekeeper cannot pay the merchant.

"Mail robberies and piracies are quite the order of the day. Two men were hung at Baltimore a few months ago for robbing the mail: two more will experience the same fate, in a few days, at the same place, for the same crime. Two men are to be hung there a week hence for piracy, and five others are under sentence of death."*

"Money is plenty," says Mr. Niles, on the 4th of March. "The six per cent. stocks are at 103 to 104; but there is little use for money in the hands of those who do not owe it. Hence it has a sluggish currency, and those who have it do not know what to do with it for themselves, and are afraid to trust it to others."

On the 15th of April, the same writer says—"It has become a serious affair to the laboring man to purchase himself a new garment—his wages, on an average, do not purchase him half as much as they did, and he is continually *uncertain* as to obtaining even that. Many of the mechanical professions have equally declined: as an instance, though our population is one half-greater than it was ten years ago, it is certainly a fact that the printing of books is not now half so extensive as it was then. The desire to read is not lessened, but the means of purchasing are denied—the most common school-books are a drug. Hatters, shoemakers, and tailors, and even blacksmiths, whose work seemed to be indispensable, have lost, in general, much of their former businesses—from a fourth to one-half. This is the result of necessity, and those who might purchase, abstain, in looking to a fearful future."

Five months afterwards, he gave an equally gloomy view of the state of affairs.—Writing under date of September 16th, he says—"Five years ago all the large stores in Market street, &c., Baltimore, were cut into two, and then there were not enough of them; and a dwelling-house could hardly be had—if a man talked of moving, fifty were applying for the property. The stores have resumed their old shapes, and dwelling-houses are abundant. I believe we have 10,000 less inhabitants than we had in 1815; and, by calculation, I have concluded that the property on Market street, at this time, if all on rent, would produce a sum less by 250,000 dollars a year, than it would have produced as rent in that year.

"Desire no longer presses on enjoyment with the laboring classes, but necessity presses on necessity; and one by one they give up their enjoyments which they hitherto delighted to indulge themselves in. This is evident to every person who will look at society. The laboring people cannot get much money, and therefore cannot spend much.—The average price of wheat is hardly more than fifty cents a bushel, and the farmer cannot buy many luxuries at that rate: a mechanic is hardly half his time employed, or at reduced wages, and must therefore limit his expenditure."

It was natural that, in this condition of things, the public mind should be employed

* See Niles, vol. xviii, p. ?87. The letter appeared in the London Courier, on the 11th of May, 1820.

on projects for alleviating distress, if not for preventing its recurrence.

One measure that was suggested, was the requiring of cash payment of duties. This would have been beneficial, insomuch as it would have lopped off one of the branches of the super-extended credit system, but it would have afforded no immediate relief.—An effort was made in Congress to carry through a measure of this kind, but it was not successful.

Another effort, which was attended with no better success, was to restrict sales by auction. There is no cause to regret that this effort did not succeed. The only way in which the value of many kinds of property could be realized in this season of distress, was through sales by auction, and restrictions on this business would have increased the sufferings of the public.

A large portion of society were very anxious that a bankrupt law should be passed, and it may be doubted if the mercantile part of any community ever stood more in need of relief. But the bill which was reported to Congress was modelled on the English system, and not adapted to the state of things in America. It might, if it had been adopted, have afforded relief to many worthy men; but in its general operation it would probably have been productive of great evils. It was rejected by a decided majority.

The measure from which most was hoped, and which was pushed with most vigor and most perseverance, was an increase of the duty on imports. The dulness of business, the lowness of prices, and the want of employment, which were produced by the reaction of the banking system, were all urged as reasons why Congress should afford adequate "protection to domestic industry."

It is no part of our plan to discuss the tariff policy. But it belongs to the history of banking to state that the raising of the duties on imports, to a height which now threatens to convulse if not to rend our Union, was one of the consequences of the great reaction of 1819. As the effects of the reaction were felt for several years, the advocates of the restrictive system had full leisure for applying all the arguments in support of their favorite policy, which they could derive from the continued lowness of prices, dulness of business and want of employment.

The evils produced by the system of paper money and moneyed corporations, are of such a nature, that they cannot be remedied by acts of legislation. When they come they must be endured. If we *will* have the system, we *must* bear its consequences. But there was one measure which, as it might have alleviated the distress, we have sometimes wondered was not adopted: we have wondered it was not adopted, because it is a measure which has been adopted in other countries, and in our own country at other times. We mean an *equitable* adjustment of the affairs of debtor and creditor. When the South Sea bubble bursted, the British parliament saw that to require a literal fulfilment of the obligations which were affected by that stock-jobbing concern, would be to give the getters-up of that scheme all the property of their miserable dupes. It therefore, in some cases, reduced the amount of money to be paid, as much as nine-tenths. During the revolutionary war, "scales of the depreciation" of continental money were from time to time published by the legislature, by which the courts were governed in enforcing such contracts as were submitted to adjudication.

The great banking bubble of America was the same in principle as the South Sea bubble, but of longer continuance, and involved in it the fortunes of the whole community. But nothing like an *equitable* adjustment of the affairs of debtor and creditor was attempted. An obligation to pay ten thousand dollars, entered into in 1816 or 1818, when the current dollar was in some parts of the country worth perhaps but fifty cents in silver, was enforced according to the strictness of the letter, in 1819 and 1820, when the current dollar was of equal value with the legal dollar, and worth one hundred cents in silver.

It is an awful thing to change the money standard of a country: but it is equally awful to refuse to recognise such a change when it has actually been made. Effecting an equitable adjustment of the affairs of debtor and creditor, by a legislative or a judicial recognition of the practical changes which had been made in the standard of value, would not have "impaired the obligation of contracts."—Both debtor and creditor, when they entered into the contract, had the "current" dollar in view. The disorder was, however, so general, that an equitable adjustment of contracts would have been a work of great difficulty, if not impossibility. Perhaps the courts, looking forward to the operations of future years, acted wisely in regarding the dollar as a fixed quantity, though it was, in fact, during these years, a quantity that was always changing.

CHAPTER XIV.

Of Banking in the Western States.

The first paper issuing institution west of the Alleghany mountains, was the Lexington Insurance Company: which was incorporated in 1802, with a capital of 150,000 dollars. Humphrey Marshall, the historian of Kentucky, says, Banking privileges were, in this case, surreptitiously obtained. This business being found to be lucrative to those who were engaged in it, the Kentucky Bank was instituted in 1807, with a nominal capital of one million of dollars.

The Miami Exporting Company was instituted at Cincinnati, Ohio, in 1803, with a capital of two hundred thousand dollars. As its title indicates that it was established ostensibly for commercial purposes of another nature, perhaps banking privileges were obtained for it surreptitiously, as in the case, in the previous year, of the Lexington Insurance Company. Be this as it may, the Miami Exporting Company did banking business; and in the nine years subsequent to its institution, five other banks were established in different parts of the State, making in all six banks in Ohio in 1812, with a nominal capital of one million two hundred thousand dollars.

These banks maintained specie payments till within a month or two of the close of the war. This is a fact not generally known, but it is placed beyond doubt by a statement made by Mr. Hawkins in Congress, on the 17th of January, 1815, that "*even* the banks of Kentucky and Ohio, where specie abounded, had *at length* been compelled in self-defence to stop payment of specie."

It must be evident from this, that if the United States government had immediately compelled the banks of the great Atlantic cities to redeem the pledge they had given in the preceding August, the western country might have suffered but little from the suspension of specie payments. But when the United States government connived at the suspension of specie payments, sanctioned the use of inconvertible paper, and by its fiscal manœuvring encouraged the issue of additional amounts of such paper, it was impossible that the mania which had reached Pennsylvania, from New-England, through New-York and New-Jersey, should not extend into Ohio and Kentucky.

Kentucky was, however, at first, comparatively moderate. All she did at the close of the war, was to authorise the Bank of Kentucky to increase its capital to three millions, and to establish thirteen branches. Seven of these branches were in operation in 1816.—Ohio, apparently, went further into the system; for we have seen a list of twenty-one chartered institutions which were in operation in that State in 1816, and allusion is made to others which were carrying on the banking business without charters.

Still, the issues of paper in the Western States were moderate when compared with those in the Middle States. Mr. William Jones, the first president of the United States Bank, stated, in the documents laid before Congress in 1819, that, "at the time of the subscription to the stock of the bank, specie was at six per cent. at the westward, and at fourteen per cent. in Philadelphia, New-York, and Baltimore." In the table appended to Mr. McDuffie's report, the rate of exchange at Lexington on Boston, in July 1816, is stated to have been two per cent.—a sure proof that the currency of Kentucky was not at that time much, if it was any, depreciated.

The issues of the western banks were probably increased considerably in the last six months of 1816: and in this or the following year the system was extended into Indiana, Illinois and Missouri.

It was about this time, that branches of the United States Bank were established in the west, and they sought to make a profit, less by circulating their own paper, than by giving drafts on the eastern cities, receiving in exchange notes of the local banks, and requiring interest to be paid on the same. This was rather a roundabout way of inducing the local banks to extend their issues, but it was the most effective that could be adopted.—Western bank paper being exchangable for United States branch drafts, and United States branch drafts being exchangable for European products in the Atlantic cities, the effect was similar to that which would have been produced by making western bank notes current in New-York and Philadelphia.

The full effects of this system were felt in the year 1818, or in the second year of active operations of the United States Bank. Mr. Niles, then speaking of "new banks establishing or about to be established," says,—"Behold forty-three banks authorised in Kentucky—half a score in Tennessee—eight in Ohio," &c. Of those authorised in Kentucky, at least *thirty-five*, since known as the Independent Banks of Kentucky, went into operation. Their nominal capital was between seven and eight millions of dollars, but their real capital must have been small: for the American Quarterly Review says, the same specie was used for different banks, and

only remained long enough in each for the law to be complied with.

If the months of May, June, July, and August, 1815, were, "the golden age of Philadelphia," the first months of the year 1818 were the golden age of the western country. Silver could hardly have been more plentiful at Jerusalem in the days of Solomon, than paper-money was in Ohio, Kentucky, and the adjoining regions. But when the United States Bank found it necessary to curtail, money became as scarce in the west as silver is in Jerusalem under the Turkish despotism.

The Bank of the United States was very sudden in its demands, for its necessities were such as to admit of no delay. An Ohio paper says that the branch at Cincinnati called on the local banks of that town for a balance of seven hundred thousand dollars, in requisitions of twenty per cent. every thirty days. This compelled the bank of Cincinnati to stop payment about the middle of November, 1818; and in two days afterwards the Bank of Kentucky unexpectedly followed its example. A strong expression of public opinion compelled the Bank of Kentucky to resume specie payments in less than a week, and it continued to pay specie till the early part of 1820.

It is stated that in the twelve months preceding June 26th, 1819, eight hundred thousand dollars in specie were drawn from Ohio. If this be true, the wonder is not that only six or seven banks in the State paid specie in August, 1819, but that they were not all bankrupt. This was the fate of the Independent Banks of Kentucky. Some of them maintained a show of specie payments till August, and afterwards paid out notes which were lent them by the Bank of Kentucky, redeemable in 365 days after date: but towards the close of the year few of them paid any thing.

The Bank of Vincennes (Indiana) had recourse to a very ingenious expedient. It issued notes payable at its branch at Vevay, nine months after date, printing the words, "nine months after date" in very small letters. All this, however, availed nothing. It went with the others.*

The effect which the sudden withdrawal of specie and discrediting of bank paper had on prices in the western country was very distressing. "It is said," remarked Mr. Niles on the 2d of September, 1820, "but we know not how to believe it, that corn is selling at ten, and wheat at twenty cents per bushel, specie, in some parts of Kentucky. At this rate, how are debts to be paid?"—Mr. Niles appears afterwards to have had other evidence sufficient to overcome his incredulity, for he remarked on the 15th of September, 1821: "A gentleman in Western Virginia directs the Register to be stopped, because he used to pay for it annually with one barrel of flour, but that three will not do it now. Another, a miller in Ohio, on paying his advance to my agent, observed, that he had sold *four barrels of flour* to obtain the note of five dollars which was remitted."

In other publications we have evidence of the lowness of prices. For example:—In the United States Gazette of May 23d, 1821, corn is said to have been sold at Cincinnati at ten cents a bushel: and the same periodical of the 1st of June, has a notice of a letter from a practical farmer in Harrison County, Ohio, stating that wheat had fallen to twenty-five cents a bushel, and in some instances to twelve and a half cents. A letter from Greenfield, Ohio, dated May 3d, 1821, and quoted in the Gazette of June 23d, states that wheat was sold at twelve and a half cents a bushel, and that whiskey was dull at fifteen cents a gallon.† The Weekly Register of May 19th, gives the following quotations from "a late Pittsburg Mercury." "Flour, a barrel, $1; whiskey fifteen cents a gallon; good merchantable pine boards, twenty cents a hundred feet; sheep and calves $1 a head. Foreign goods at the old prices. One bushel and a half of wheat will buy a pound of coffee; a barrel of flour will buy a pound of tea; twelve and a half barrels will buy one yard of superfine broadcloth."

While the staples of the western country were at this low price, the people were deeply in debt to the United States government, to the merchants of the Atlantic cities, to the United States Bank, to the local banks, and to one another. The plentiful issues of paper had led to great speculations in the public lands. The wild lands of the west had been sold, in some instances, as high as forty or fifty dollars an acre. The sum due to government on account of these purchases, exceeded twenty-two millions of dollars in the latter part of 1820. The sum due to one of the branches of the United States Bank, that at Cincinnati, exceeded two millions of dollars. The sums which were due by the western people to one another, to the local banks, and to the merchants of the Atlantic cities, could not easily be calculated.

* The banks in the *extreme* west did not all stop payment till a year or two after the failure of the banks in Kentucky. The Shawneetown and Edwardsville banks, in Illinois, paid specie in August, 1821. One, at least, of the banks in Missouri, continued to pay specie till the latter part of 1821; and several of the Ohio banks appear to have paid specie in the midst of all the confusion.

† Towards the close of the year 1821, flour rose at Cincinnati to $3 50 a barrel.

#THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, April 13, 1842. No. 21.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy, is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—
PHILADELPHIA—By the Editor, No. 302 Race street.
Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by themselves, containing subscriptions and payments for newspapers and other periodicals.

FLUCTUATION.

It is a fact singularly illustrative of the vast fluctuations in currency, that the circulation of the single "Bank of Rochester," in 1835, with a capital of $250,000, was more than double the whole amount of the present circulation from all the banks now operating in Rochester!—although the banking capital of this city, with institutions in good credit, is now upwards of a million of dollars.—*Rochester Evening Post.*

In both the periods referred to above, the Banks of Rochester, N.Y., were paying specie. Who, after this, will contend that all that is necessary to give us a *stable* currency, is to bring the banks throughout the country into a condition resembling that of the banks in New-York and New-England? We would then, indeed, have a currency, the different *parts* of which would approximate to *uniformity* of character and quality, but the whole *mass* would be subject to great fluctuations in *quantity*, and consequently in *value*.

In the year 1836, the banks throughout the country were paying specie. In no other period of our history were domestic exchanges so low and so regular. The different parts of our currency approximated more nearly to uniformity in market value than they ever did before or than they have ever done since. Yet, viewed in its true light, our currency was never so *unsound* as it was in that very year, that is to say, was never so much *inflated*.

THE JUSTICE OF BANKING.

From a speech in the British Parliament, by Henry Brougham.

"It is monstrous, my Lord, that any man, or body of men, corporate, or otherwise, should have the power of making money cheap or dear, at will, combining the office of regulator of national currency with that of bankers; that they should be both the money makers and money dealers; that they should have the privilege at any one period of inundating the country with an immense amount of paper currency, thereby stimulating speculation as well as trade, raising prices, wages and profits, and at another period drawing in their rags, screwing up all legitimate sources of credit, as well as capital, and thereby lowering prices and wages, and diminishing profits, producing a stagnation of trade, ruining merchants and manufacturers by the hundred, and spreading misery and wretchedness among thousands."

COMPARATIVE LOSS ON GOLD AND PAPER, AS A CIRCULATION.

Mr. Page, a distinguished English writer, has, from the reports of the English and American mints, ascertained that there is a loss on gold coin by wear and tear of 4.61 per cent. in a century, which is less than 1-20th per cent. per annum; and so that of every £100 coined in any particular year, there would remain over £95 7s. 10d. in real value at the end of 100 years. A comparison is next made of the expense of a paper currency, which, at 2½ per cent., as stated by Mr. Norman, (of the Bank of England,) is found to be fifty-three times greater than the loss by wear on a gold currency. If the expense of a paper currency be 2½ per cent. per annum, this, on a sum of £20,000,000, will amount in 100 years to £50,000,000, while the loss by wear on a gold currency of £20,000,000, during the same period is only £922,000. The difference is therefore £49,078,000.

BRITISH INDIA.

From a report made to the British Parliament, it appears that in twenty three years, from 1815 to 1837, the imports of the precious metals into British India, exceeded the imports in the sum of about fifty millions sterling, or nearly two hundred and fifty million dollars.

A Table of the Population of each of the States in 1840, *and of the condition*

State or Territory.	Population in 1840.	Date of Return.	No. of Banks.	No. of br'ches.	Capital.	Loans and discounts.	Stocks.	Real Estate.
Maine,	501,793	Jan., 1840	48	–	$4,671,500	$5,901,610	–	$257,880
Do. -		Jan., 1841	47	–	4,371,500	5,820,792	–	322,750
N. Hampshire,	284,574	June, 1839	28	–	2,939,508	4,524,626	–	81,862
Do. -		June, 1840	27	–	2,837,508	4,099,612	–	76,893
Vermont,	291,948	Sept., 1839	19	–	1,325,530	2,888,812	$ 5,160	38,975
Do. -		Oct., 1840	17	–	1,196,770	2,011,296	–	38,126
Massachusetts,	737,699	Nov., 1839	118	–	34,485,600	44,967,749	–	1,141,595
Do. -		Oct., 1840	115	–	33,750,000	46,513,685	–	1,169,803
Rhode Island,	108,830	Jan., 1840	62	–	9,983,969	12,121,291	–	–
Do. -		Jan., 1841	62	–	9,823,558	12,194,485	–	–
Connecticut,	309,978	Mar., 1840	31	3	8,806,204	10,428,630	538,300	287,324
Do. -		Mar., 1841	31	3	8,826,382	10,944,675	565,025	330,011
New York,	2,428,921	Jan., 1840	96	2	36,801,460	52,788,206	3,653,170	2,937,695
Do. -		Jan., 1841	95	–	36,401,460	54,691,163	4,630,392	3,588,132
N. Y. free banks		Jan., 1840	63	–	15,227,321	15,268,861	1,810,950	–
New Jersey,	373,306	Jan., 1840	26	–	3,822,607	4,933,780	25,128	324,989
Do. -		Jan., 1841	26	–	3,834,816	5,315,936	40,098	343,696
Pennsylvania,	1,724,033	Oct., 1839	49	1	24,286,405	34,806,841	1,381,319	1,713,758
Do. -		Oct., 1840	50	4	24,616,257	28,724,697	4,447,988	2,504,866
Delaware,	78,085	Jan., 1840	3	4	881,518	1,488,289	58,382	67,418
Do. -		Jan., 1841	3	4	881,648	1,472,464	59,411	66,918
Maryland,	470,019	Jan., 1840	21	2	10,526,494	13,593,642	1,910,092	505,290
Do. -		Jan., 1841	21	2	10,214,908	12,554,889	939,953	504,433
D. Columbia,	43,712	Jan., 1840	6	–	1,768,074	2,575,613	230,868	228,485
Do. -		Jan., 1841	6	–	1,745,155	2,000,505	219,989	188,048
Virginia,	1,239,797	Jan., 1840	6	21	10,139,406	15,596,776	1,204,284	713,859
Do. -		Jan., 1841	6	21	10,283,633	15,495,117	1,204,567	798,146
North Carolina,	753,419	Jan., 1840	3	7	3,154,761	5,047,528	–	43,767
Do. -		Nov., 1840	3	7	3,225,000	4,506,226	–	95,780
South Carolina,	594,398	Oct., 1839	12	2	11,584,355	18,347,002	1,577,712	262,231
Do. -		Oct., 1840	12	–	11,782,358	16,106,806	2,222,293	333,497
Georgia,	691,392	Oct., 1839	21	16	15,119,219	14,439,752	–	3,036,465
Do. -		Oct., 1840	23	16	15,098,694	13,783,221	1,785,304	4,217,493
Florida,	54,477	Jan., 1840	3	4	4,582,236	5,236,293	1,091,840	102,146
Do. -		Jan., 1841	3	4	4,040,775	5,024,877	977,045	115,343
Alabama,	590,756	Oct., 1839	3	2	10,685,405	18,336,007	–	349,903
Do. -		Oct., 1840	3	3	14,379,255	24,183,586	–	599,366
Louisiana,	352,411	Jan., 1840	16	31	41,737,691	45,841,389	2,066,478	6,566,109
Do. -		Dec., 1840	16	31	41,711,214	48,646,799	–	13,192,038
Arkansas,	97,574	May, 1840	2	8	3,495,857	3,956,636	500,000	48,052
Do. -		Oct., 1840	2	8	3,532,706	3,838,694	500,000	67,196
Mississippi,	375,651	Jan., 1840	23	15	30,379,403	48,333,728	3,573,829	4,839,383
Tennessee,	829,210	Jan., 1840	3	18	7,178,921	10,784,409	81,150	147,331
Do. -		Jan., 1841	2	14	5,802,447	7,604,352	12,000	431,985
Kentucky,	779,828	Jan., 1840	6	11	9,329,088	10,522,464	2,706,000	348,477
Do. -		Dec., 1840	1	4	2,987,200	3,021,458	1,025,000	92,004
Missouri,	383,702	Jan., 1840	1	2	1,116,123	2,077,841	–	52,518
Do. -		Jan., 1841	1	2	1,178,866	1,628,203	–	80,580
Illinois,	476,183	Nov., 1839	2	7	5,423,185	5,930,258	2,544,750	108,994
Do. -		Nov., 1840	1	6	4,044,025	3,492,438	2,101,849	471,995
Indiana,	685,866	Oct., 1839	1	12	2,595,221	4,581,486	294,000	180,343
Do. -		Nov., 1840	1	12	2,671,618	3,689,595	294,000	223,629
Ohio,	1,519,467	Jan., 1840	36	1	10,507,521	13,414,087	1,501,585	523,503
Do. -		Oct., 1840	33	1	9,191,203	10,832,817	–	–
Michigan,	212,267	Sept., 1839	9	1	1,229,200	2,152,954	5,570	74,499
Do. -		Jan., 1841	3	1	1,000,000	1,713,769	74,541	75,512
Wiskonsan,	30,945	Nov., 1839	1	–	100,000	133,670	–	5,452
Do. -		Sept. 1840	1	–	100,000	224,365	–	14,404
Iowa,	43,112	Sept. 1838	1	–	100,000	77,941	1,000	4,206
Pa. B'k of U. S.		Jan., 1840	1	12	35,000,000	36,839,593	16,316,489	1,839,134
Do. -		Dec., 1840	1	4	35,000,000	23,364,664	31,665,553	3,662,673

of the Banks, according to returns dated nearest Jan. 1st, 1840 *and* 1841.

Other investments.	Due by other banks.	Notes of other banks on hand.	Specie funds.	Specie.	Circulation.	Deposits.	Due to other banks.	Other Liabilities.
–	$333,515	$133,478	–	$195,699	$1,224,658	$487,607	$76,711	$181,590
–	600,804	213,737	–	269,729	1,754,390	733,834	45,281	136,909
–	430,296	127,486	–	179,754	1,439,519	681,277		
–	337,620	64,594	–	193,359	1,088,750	420,800	–	145,738
–	8,125	92,684	$590,769	129,319	1,966,812	308,349	16,867	
–	373,343	74,041	11,589	120,315	1,099,784	238,574	17,743	
–	3,773,458	1,552,070	–	1,838,272	7,875,322	4,767,410	2,428,021	1,961,307
–	4,702,491	2,120,782	–	2,991,804	9,112,882	7,257,410	3,961,805	1,379,512
$306,628	436,296	300,846	–	428,762	1,630,047	834,958	358,816	527,573
223,397	603,938	318,998	–	327,206	1,565,880	950,747	518,615	504,935
63,402	902,028	161,245	–	499,032	2,325,589	863,526	293,765	80,987
160,149	1,192,403	171,258	–	454,298	2,784,721	1,182,583	364,819	96,275
1,081,967	6,543,125	4,401,400	2,310,161	5,864,634	10,629,514	16,473,235	7,055,584	3,773,355
861,643	10,061,002	4,922,764	2,188,565	5,429,622	15,235,056	17,053,279	10,374,682	2,937,485
–	2,600,622	–	–	1,135,895	3,590,790	3,587,999	3,119,582	559,447
42,693	710,475	257,052	–	414,807	1,415,708	808,708	207,020	26,021
60,243	1,138,043	400,720	–	436,049	2,099,069	1,074,843	211,307	
3,944,911	2,682,823	2,668,141	–	2,798,002	9,338,636	7,524,387	2,015,220	3,756,544
2,795,604	7,693,144	8,512,756	–	4,145,513	8,853,257	12,156,282	8,831,767	1,701,717
–	293,637	108,355	–	117,500	770,487	295,322	17,944	
–	395,082	106,604	–	155,691	860,963	312,247	28,209	
72,555	1,611,042	1,116,667	–	1,319,559	3,079,241	3,186,438	1,859,174	765,888
137,311	2,007,906	1,022,382	–	1,556,020	2,529,843	3,136,979	1,860,015	225,529
3,371	236,622	188,278	254,435	199,472	632,727	987,123	258,878	28,372
34,536	122,110	176,752	53,101	245,629	121,975	653,386	268,197	3,135
13,190	1,485,957	428,690	–	1,889,568	6,707,701	2,819,295	816,144	49,290
55,341	1,440,684	900,538	–	2,318,791	6,852,485	2,754,630	872,152	725,743
30,273	497,261	222,892	–	586,628	2,246,181	525,387	206,040	
4,076	538,784	221,067	–	802,709	2,092,877	489,188	90,363	92
373,744	986,864	298,742	–	1,847,498	4,439,404	2,279,218	1,062,556	2,795,469
107,212	533,869	295,208	–	1,608,537	3,008,514	1,712,745	589,597	521,297
2,348,520	1,147,117	1,141,595	–	1,424,233	3,017,348	1,310,828	2,958,124	
328,102	1,785,649	2,140,161	–	1,300,694	5,518,822	1,985,413	1,299,703	582,937
204,233	130,807	114,463	21,303	46,188	519,290	527,521	242,991	667,415
104,169	210,002	49,745	–	5,032	476,706	314,493	382,219	1,126,591
103,448	582,693	747,834	–	1,200,607	3,512,851	2,154,620	867,291	1,461,284
434,904	1,499,693	2,693,292	–	1,589,510	7,211,141	2,827,622	1,486,345	2,152,508
4,251,524	5,485,447	2,597,058	–	3,397,379	6,998,704	6,858,067	7,336,889	6,810,017
–	1,816,630	2,577,578	–	3,163,243	6,443,785	3,094,730	7,090,815	7,777,812
–	237,649	25,025	203,138	227,867	1,139,120	367,331	16,898	
403,030	117,310	157,123	403,030	203,813	995,905	146,018	28,308	250,000
3,863,649	4,638,258	1,693,975	–	867,977	15,171,639	8,691,601	7,065,499	1,532,220
386,742	925,849	456,167	–	931,907	2,095,157	642,310	459,111	2,197,895
–	905,123	343,847	5,000	647,945	2,045,375	610,836	336,236	423,172
27,500	1,342,284	576,997	–	1,261,500	3,940,333	1,049,648	1,156,192	596,437
29,850	501,609	446,936	–	663,449	1,795,058	416,030	317,438	
5,060	303,611	292,465	–	562,902	410,740	1,174,532	529,441	19,743
23,808	186,520	42,345	–	509,597	347,530	332,909	87,871	509,590
175,750	759,537	199,381	–	756,964	3,724,092	805,244	230,707	24,891
15,990	797,278	129,977	–	529,640	3,105,415	109,545	117,893	
91,728	208,301	169,500	–	1,021,490	2,985,370	372,784	126,088	
717,782	305,146	166,251	–	1,076,551	2,865,568	472,748	148,829	1,939
1,327,455	891,590	947,526	–	1,752,446	4,607,127	2,017,360	683,552	1,348,540
2,795,094	680,764	888,520	–	1,229,226	3,697,098	1,990,743	451,897	1,094,480
117,000	223,599	102,895	–	42,784	261,296	342,760	96,325	613,887
160,172	180,467	71,964	–	123,635	568,177	183,909	5,678	512,849
2,448	31,065	7,705	–	41,397	109,185	9,591	55	
80,537	2,571	29,397	48,492	–	90,305	17,414	175	85,451
7,221	762	18,874	–	3,033	10,990	3,686	–	5,035
239,864	7,469,422	1,383,686	–	1,469,674	6,695,861	3,338,521	4,155,366	13,091,087
1,275,623	8,714,800	1,148,101	–	2,171,722	9,336,000	3,195,740	6,334,221	18,093,574

BANK RETURNS.

It is a fact well worthy of notice that though every change in the volume of our currency, changes the valuation of every man's property, no effort was officially made to ascertain the extent of these changes till after the present banking system had been for nearly forty years in operation.

BLODGET did, indeed, in his *Economica*, published in the year 1806, give statements of what he conceived to be the amount of bank notes in circulation, in different years, from 1784 to 1804: but they can be regarded in no other light than as the *guesses* of a private individual, having superior means of information.

For the first official estimates, we are indebted to Mr. CRAWFORD. In a report which he, as Secretary of the Treasury, made to Congress in 1820, he introduced statements of what he believed to be the amount of notes in circulation in 1813, 1815, and 1819; but the returns he obtained from the banks were so far from complete, that there may have been errors in his estimates of the amount of many millions.

Mr. GALLATIN, in his "Considerations on the Currency and Banking System of the United States," published in 1831, offered estimates of the amount of notes in circulation, and of some other particulars in the condition of the banks in 1811, 1815, 1816, 1820, and 1830. His estimates are more worthy of reliance than any that preceded them. Yet his data were so defective, that he may, as well as Mr. Crawford, have erred in the amount of millions.

Thus matters remained till July, 1832, when, on motion of Mr. WILDE, of Georgia, a resolution was adopted, to cause a statement of the condition of the banks in 1833–34, to be "compiled under the direction of the Clerk of the House of Representatives," from materials collected by Mr. Wilde. By another resolution, adopted at the same time, the Secretary of the Treasury was directed to lay before the House a similar statement "at the next and each successive session of Congress."

Since that time, reports have annually been sent from the Treasury Department to Congress on the condition of the banks, with the exception of the present year, in which, we believe, no report has, as yet, been made. Some of these compilations necessarily contain much lumber, because the resolution of Congress is so worded as to leave little or no discretion to him whose duty it is to prepare them. But they also contain much matter that is highly valuable.

It fell to our lot to prepare these reports from 1836 to 1841. Feeling a great interest in the subject, we took every pains in our power, to make them as complete as possible: and by laboring for years in succession on the general tables, correcting the errors and supplying deficiencies in the returns of one year by those received in the next, we were enabled to give them with a fulness and an accuracy which had never before been attained in the banking statistics of this country.

On the preceding pages will be found a statement of the condition of the banks in the different States, according to the returns from them, dated nearest to Jan. 1st, 1840, and copied from one of the tables we prepared while in the Treasury Department. There are no *estimates*, it is to be observed, in this table. The statements were carefully compiled from *returns* made by the banks; and the table is believed to embrace all the banks that were in operation on the 1st of January, 1840, except two small banks in Delaware, one in Iowa, one in Tennessee, and two branches of the State Bank of Alabama.

The table given in the Treasury report for 1841, is much more defective. Mr. EWING, who was not as duly impressed as was his predecessor, Mr. WOODBURY, with the importance of having full and accurate statements of the condition of the banks, dismissed us from office before we had time to complete it. We have labored much since to supply its deficiencies, but have been but imperfectly successful. The statement for 1841, as we now give it to our readers, embraces returns from one hundred banks and eleven branches which were not included in the Treasury report. But it is still defective, insomuch as it embraces no returns from the "Free Banks" of New York, from two banks in Delaware, one in Georgia, two banks and four branches in Tennessee, five banks and seven branches in Kentucky, three in Ohio, one bank and seven branches in Illinois, one in Iowa, and such of the banks of Mississippi (how many we know not) as remained in operation at the commencement of last year.

As the table now stands, it will enable the reader to judge of the banking fluctuations in each State from which complete returns were received for 1840 and 1841. The population being given according to the last census, those who are fond of statistics can employ some leisure hours in comparing the extent of banking operations in each State with the number of its inhabitants.

In preparing the general tables for the Treasury reports, our rule was, whenever the banks regularly made returns of the amount of *their own* stock held by themselves, to deduct the same from their capital. Stock which is thus *bought in*, stands, in reality, on the same footing as stock which has never been *paid in*. It forms no capital on which a bank can make loans and discounts. Many of the banks, however, shifted so often their form of keeping accounts, that we could not adhere rigidly to this rule.

The next column, is that of loans and discounts. This includes bonds and mortgages, as well as foreign and domestic bills of exchange, and common notes of hand.

The column of "Stocks," embraces all the State, City, Improvement, and other stocks, including stock of *other* banks, returned by these institutions as being part of their possessions.

Under the head of "real estate," are included banking houses, and whatever else a French lawyer would describe as "immoveable property."—Some of the banks own farms, some hotels, and some rail-roads and canals.

The column headed "other investments," includes various items. The returns from the banks in Rhode Island, for example, class "Stocks and Real Estate" together. As they do not give the

amount of each separately, we had to place the *whole* amount under the head of "other investments."

The next two columns, "Due by other banks, and Notes of other banks on hand," require, it is to be presumed, no explanation.

The item, "Specie Funds," means pretty much what bank officers choose to make it mean. Sometimes it means "specie and notes of other banks." Sometimes it includes "deposits in other banks," and funds of various kinds in the hands of brokers, acting as agents of the banks. Sometimes it merely designates those memoranda which certain favored gentlemen leave with the teller, when they take cash out of his till, without the knowledge of the directors.

The next column shows the amount of "specie" which the banks of each State professed to hold at the time they made their returns.

The eight columns from "Loans and Discounts" to "Specie," inclusive, give *all* the the *resources* of the banks, and show how they have invested all their capital and their credit.

The next four columns show the *liabilities* of the banks.

Under the head of "circulation," we have made it a rule to insert only bank notes payable on demand. Post notes bearing interest do not, except in particular circumstances, form a part of the currency

For the like reason, we have, under the head of deposits, given such only as are payable on demand. Dividends unpaid, are included in this column.

These two columns, and the one immediately following, "Due to other banks," include all the *immediate* liabilities of the banks.

The column headed "Other liabilities," embraces deposits bearing interest, post notes on time, bonds due by the banks, in short, *all* the debts due by the banks except those described as "immediate liabilities."

The expense account of the banks, and the profit and loss and contingent fund accounts, we could not introduce into the tables prepared by us, as the page on which the public documents is printed is not broad enough to admit of them. This we did not regret, for they are, as Mr. Gallatin justly observes, merely *balancing* accounts. The great majority of readers will come most readily to a clear understanding of the condition of the banks, when only their real resources and real liabilities are exhibited to their view.

In a future number we propose to give, in a condensed form, a comparative view of the condition of the banks throughout the country, for some five or six years in succession.

AMERICAN MANUFACTURES.

Of late years American Manufacturers have had fearful odds to contend with;—nothing less than all the State Governments, (the few excepted that have not run in debt abroad,) and all the Banks in the country.

They have had the State Governments to contend with, because the proceeds of the greater part of the loans that have been negotiated in Europe have been brought to the United States, in the form of manufactured articles. British and American manufacturers have not been suffered to enter into fair and free competition in our home market. The State Governments have interfered in favor of the former, and by mortgaging all the land and all the productive powers of the people, to pay for imported goods, have given the British manufacturer great advantages over the American.

But our manufacturers have had still more fearful enemies in the Banks. By their excessive issues, these institutions have made the country a good one for foreigners to sell in and a poor one for them to buy in. They have thus increased importation and dimished exportation. They have done more than this. By their "expansions" they have increased prices when the manufacturer was under the necessity of buying, and by their "contractions" they have diminished prices when he was under the necessity of selling. They have, also, by conferring credit on men who never were justly entitled to credit, induced our manufacturers to trust them to large amounts. Full nine-tenths of the losses our manufacturers have sustained, through bad debts, are to be attributed to the Banks.

Under such circumstances, we cannot wonder that manufacturing industry is depressed. Neither can we wonder that manufacturers are crying out for "additional protection." This is only a repetition of what occurred in the former bank revulsion.

Adequate protection cannot, however, be obtained by means of a *tariff*, owing to the following reasons.

1st. A protective tariff, in order to be *effective*, must be *permanent*, or must at least endure for a number of years without change. The corn growers in England have such a tariff, because political power is in their hands. But political power in this country is not in the hands of the manufacturers; and if a protective tariff should be established, but a few years would elapse before it would, in all probability, be abolished.

2nd. Our extensive coast, and our extensive inland frontier, afford such facilities for smuggling, that if the duties on most articles should be raised to what is regarded as the protective point, contraband trade would, to a great extent, take the place of legitimate commerce. We cannot do what the French do, that is, employ an army of

one hundred thousand men to guard the revenue from smugglers.

3rd. Just in proportion as the duties on imports are raised; the ability of the banks to expand is increased. The prices of foreign goods are enhanced accordingly: and the foreign manufacturer enters our market and sells his goods at as much profit as before. The rise of prices produced by the inflation of the currency, more than covers the addition to the duties.

These three causes must ever prevent our having a *tariff* that will afford *efficient* protection, and not a few of the manufacturers in this vicinity are well convinced of this truth. They have watched closely the operation of former tariffs. And they have thereby found that though additional duties raised the price of what they had to sell, the inflation of currency which followed raised the price of every thing they had to buy, so that instead of being gainers they were losers by the change.

What then is to be done? Manufactures are a very important branch of industry, and we have every natural facility for carrying them on to great advantage. But *efficient* protection cannot, as we have seen, be secured for them by means of a tariff. How then is this desirable object to be attained?

It can be attained in *one* way, and in one way only, and that is through a *sound* currency and *sound* credit system. This is the only protection American manufactures want, and the only one that can possibly prove effective.

Here it is proper to observe, that we do not believe that the adoption of a sound currency system would sink the *money* rate of wages as low as many imagine. Should it, however, have such an effect, the working man would not be injured thereby, because other things would fall in the same ratio. When wages are at half a dollar a day and flour at five dollars a barrel, and other things in proportion, the working man is just as well off as when wages are at a dollar a day and flour at ten dollars a barrel. The man who cannot see this, is not qualified to exercise the rights of an American citizen, and ought at once to migrate to some other country.

But, as already observed, we do not believe that the adoption of a sound currency system would sink the money rate of wages as some imagine. A day's labor in America would then purchase more gold or silver than it would in most countries of Europe, for the same reason that it now purchases more wheat. If a day's labor in the United States will produce a bushel of wheat or its equivalent, and if a day's labor in Poland will produce but one-tenth part of a bushel of wheat or its equivalent, it is plain that the money rate of wages will be ten times as high in the United States as in Poland.

The adoption of a sound currency system would benefit American manufactures, not so much by causing a *fall* of prices, as by giving *steadiness* to prices. It has been found by experience in both Europe and America, that banking expansions and contractions, have the most sensible and most direct, if not the most ruinous effects on manufacturing operations. So easy is production with modern machinery, that a very small rise of prices causes a great increase of fabrics. But the manufacturer has hardly time to bring them to market, before there is a bank contraction. Then there is a glut of commodities and a scarcity of money.

The God of Nature has caused the interests of the planter of the south, and of the manufacturer of the north, to harmonize exactly. He has given to the one peculiar facilities for producing the raw material, and to the other peculiar facilities for converting it into manufactures. Through our banking system, have these two parties been set at variance. Let them cease their disputes about the tariff, and turn their arms on the common enemy, paper-money banking. Without a system of sound currency and sound credit, it is impossible for either planter or manufacturer to enjoy permanent prosperity.

PENNSYLVANIA.

Our legislature has adjourned to meet again in June.

By a very decided vote, it resolved to suspend all work on the public rail roads and canals, except such only as may be necessary to keep them in repair. This, however, is matter not of choice, but of necessity.

No act was passed to levy additional taxes: but this is of little practical importance. In the present state of the currency and the present state of public feeling, it would be impossible to raise by taxation a revenue sufficient to sustain the credit of the State.

The domestic creditors of the State, that is to say, the contractors on the rail roads and canals, find themselves under the necessity of taking their pay in six per cent. stocks, now about 60 per cent. below par, or else deferring their claims to a more convenient opportunity.

We are glad that the Legislature has adjourned, and regret that it has an excuse for meeting again in June. In times of trouble, special legislation generally increases the evils the people are compelled to suffer.

PHILADELPHIA.

The general cry here is "that times are worse than they ever were before." To us, however, they do not appear to be as bad as they were in *the* revulsion of 1818–19. The torpor in business is not so general now as it was then, and but comparatively few sacrifices have as yet been made of real estate.

Yet the times are bad enough. In a conversation we had with one of our most intelligent mechanics on one day last week, he told us his own belief was that not more than one-half of the working men have regular employment, and that one-half of those who are employed are paid in such a way as to make their *real* wages much less than their *nominal*. Instead of being paid in money, they are paid in "orders" on stores; and as a necessary consequence are frequently compelled to sell these orders at a discount, or else buy articles they do not want. This method of paying wages was thought in England to bear so hard on the operative, that the British Parliament many years ago passed an act for the express purpose of suppressing "the tommy stores," as they were called. We are far from advising an adoption of this policy here. It is better for the working men to take their pay in orders than to be without employment. Yet those who live on wages can never be considered as well off, except when they are paid in money, and thus enabled to buy just what they want, and at the store where they think they can get it cheapest.

A merchant told us not long since, that he regarded the condition of his own class as far more pitiable than that of the working man. If a merchant, he observed, in times like these, loses his capital, it will be very difficult for him ever to recover it. But the working man's capital is in his faculties. He may suffer severely for a time, yet it may be hoped his sufferings will be but temporary. There is some force in this observation.—Yet it must be recollected that the destruction of the various kinds of mercantile and other capital that has taken place among us, has greatly diminished the fund out of which the wages of labor are to be paid. Each class has the best means of judging of its own embarrassments. The interests of all the honest and industrious classes of society are so intertwined that one cannot suffer without the others suffering also.

A part of the present distress, especially among persons doing business to a moderate extent, is to be attributed to the breaking of six of our banks; and more particularly the Penn Township, the Manufacturers & Mechanics, the Mechanics, and the Moyamensing. As these were banks of relatively small capital, they did not disdain to trade with small people. Many of the storekeepers and mechanics had, in consequence, their deposits in them. The notes of these banks are now at 28 to 40 per cent. discount: and this measures the extent in which the ability of many master mechanics to pay wages, has been diminished.

All this loss we believe might have been avoided if a different method of producing a resumption of specie payments had been adopted. *Gradually* WINDING up banks is one thing: *suddenly* BREAKING them up is another.

NORTHAMPTON BANK.

In our last, we included the Northampton Bank of Allentown, Pennsylvania, in the list of the broken. Its notes were then at about 40 per cent. discount, in Philadelphia, and they are now at a discount of 30 per cent., yet the friends of the Northampton Bank maintain that "it is a sounder institution" than most of the banks of this city.

"Its notes," says a gentleman residing in the vicinity of Allentown, "pass in every direction except towards the city of Philadelphia. There have been changed at my office, in the course of four days, upwards of eighty thousand dollars for real estate sold, and out of said sum about fifty thousand dollars were in Northampton money. No man makes any objection to it except our storekeepers, who say they cannot pass it in your city."

This letter is a curious illustration of the state of things prevailing at present in Pennsylvania. Every county has its own currency. Allentown is only fifty miles distant from Philadelphia, yet paper which is regarded as a sound circulating medium in Lehigh county, or "Northampton *money*," as it is called by the letter writer, is at a discount of thirty or forty per cent. in Philadelphia.

Whatever discredit a bank may be in abroad, it cannot be regarded as broken, so long as its issues regulate prices and are freely received in payment in its own neighborhood. We therefore take the name of the Northampton Bank out of the list of broken institutions.

BANK OF THE UNITED STATES.

The trustees of this bank have been cited to show cause why they should not give security for the faithful discharge of their trust. This citation has been issued at the instance of Mr. Schwab of New-York, a gentleman who is said to be the holder of 40,000 shares, for most of which he paid more than forty dollars a share. Mr. S., who is of European birth, states that he was induced to make this purchase through the representations of the condition of the bank which were set forth by Mr. Bayard of the U. S. Senate, and other members of an examining committee of stockholders.

The assets of the bank in New-York have been disposed of in a way that gives great dissatisfaction. The sale was held by the sheriff in a small room. Some five or six persons only were present, and bundles of bills receivable, of the nominal amount of fifty, sixty, and seventy thousand dollars, were knocked off for a few hundreds, "equal perhaps to one cent in the dollar." We do not wonder at Mr. Schwab's citing the trustees to give security for the faithful performance of their trust. P. S.—The Court has refused his request.

"THE LUMBER BUSINESS."

Mr. George Handy, one of the leading merchants of this city, and a former Director of the Bank of the United States, was summoned to Harrisburg on the 28th of March to testify to the House, whether any corrupt means had in 1840 been employed by the Banks or their agents, directly or indirectly, for the purpose of influencing the Legislature, or any other department of Government.

Mr. Handy at first refused to testify, and was in consequence kept in custody in one of the rooms of the Capitol. On the 2d of April, however, he became sufficiently communicative, and, after answering a few questions put to him by the committee of investigation, he introduced a number of letters, the reading of which employed three hours, and developed many curious particulars.—In these letters, which were received by Mr. Handy in Philadelphia from certain persons who appear to have acted as bank agents at Harrisburg, reference is made to the "going away" of certain "joist," and the purchase of "fresh lots of lumber." Frequent remarks are made in them about "the high price of lumber," and frequent calls are made on Mr Handy for "documents" and "arguments." A whole piece of plank cost, it appears, $120,000; a small piece of a foot or so, not more than $10,000.

On the 4th of April Mr. Handy gave further testimony; and then Governor Porter interfered in such a way as has given rise to much speculation. On that day he sent a message to the Legislature informing them that he had directed "criminal proceedings to be instituted against George Handy and those implicated with him." As Mr. Handy had turned State's evidence under an explicit pledge that he should not be prosecuted, this movement of the Governor, in this stage of the proceedings, is thought a very strange one indeed.

By order of the Attorney General, Mr. Handy has since been arrested, and so also has Mr. Daniel M. Broadhead, one of the "lumber merchants" with whom he was in correspondence. Each is held to bail in the sum of five thousand dollars for a hearing on the 28th of April, to answer a charge of conspiring with others to induce corrupt Legislation.

BANK FAILURES.

The old bank of Columbus (Georgia) suspended payments on the 1st of April, and the Enquirer says it will never resume again.

Our brokers here reject the notes of the New Hope and Delaware Bridge Company. It has always been a ricketty concern: but, perhaps, "New Hope money" may be as good in some parts of Bucks County, as "Northampton money" is in Lehigh.

BANK DEFAULTS.

The New Orleans Gas Light and Banking Company offer a reward of 1000 dollars for the apprehension of James B. Marks, late cashier of the branch of that institution at Napoleonville. He is said to be a defaulter; but to what amount is not stated.

Mr. Edward Brennan, the late cashier of the Exchange Bank at New Orleans, is said to have gone off in company with Mr. Edward Yorke, its late President.

ACKNOWLEDGEMENTS.

Our thanks are due to gentlemen at St. Louis, Missouri; Toledo, Ohio; Detroit, Michigan; and other places, for additions to our list of subscribers.

To the Hon. Messrs. Benton, Buchanan and Woodbury, of the U. S. Senate, C. F. Brown, of the U. S. House of Representatives, and H. L. Ellsworth, of the Patent Office, we are indebted for public documents and other papers.

In one of our former numbers, we, through an error of the press, expressed our acknowledgments to the Secretary of *State* of Michigan. To prevent mistake on this subject, it is proper to state that we are indebted for *all* our subscribers in Michigan, and for part of those in North Ohio, to our old friend Samuel Yorke At Lee, Esq., the Secretary of the *Senate* of Michigan. Mr. At Lee has forwarded to us more subscriptions than any other gentleman, excepting one in South Carolina, one in Mississippi, and one in Louisiana.

Saturday, April 9, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	⅜ a ½ dis.	1 a — dis.
New Hampshire	⅜ a ½ dis.	1 a — dis.
Vermont	— a ½ dis.	1 a — dis.
Massachusetts	⅜ a ½ dis.	1 a — dis.
Rhode Island	⅜ a ½ dis.	1 a — dis.
Connecticut	⅜ a ½ dis.	1 a — dis.
New York City	Standard.	½ a — dis.
New York State	par a 1 dis.	1 a 4 dis.
East Jersey	— a ½ dis.	1 a — dis.
West Jersey	— a 5 dis.	Par a 3 dis.
Philadelphia	— a ½ dis.	Standard.
Pennsylvania, East	— a — dis.	Par a 20 dis.
" West	— a — dis.	1 pr. a 20 dis.
Delaware	— a ½ dis.	Par.
Baltimore	½ a ¾ dis.	1 dis.
Maryland	— a 5 dis.	Par a 5 dis.
District of Columbia	— a 1 dis.	1½ dis.
Virginia	— a 10 dis.	10 a — dis.
" West	15 a 20 dis.	15 a 25 dis.
North Carolina	— a 6 dis.	6 a 6½ dis.
South Carolina	— a 3½ & 4 dis.	3½ a 4 dis.
Georgia	— a 5 dis.	4 a 40 dis.
Alabama	— a — dis.	20 a 25 dis.
Louisiana	10 a 25 dis.	3½ a 15 dis.
Mississippi	— a — dis.	— a — dis.
Tennessee	— a 25 dis.	20 a 22 dis.
Kentucky	— a 10 dis.	8 a — dis.
Missouri		10 dis.
Illinois	— a 50 dis.	50 a — dis.
Indiana	— a 15 dis.	20 a — dis.
Ohio	— a 10&15dis.	10 a 15 dis.
Michigan	— a 10&20dis.	10 a 18 dis.
American Gold, (new coinage).	Par a —	par a —
Sovereigns	4.85 a ——	4.85 a ——
Heavy Guineas	5.00 a 5.05	5.00 a 5.05
Spanish Doubloons	16.25 a 16.50	16.25 a 16.50
Patriot Doubloons	15.70 a 15.80	15.70 a 15.80
Spanish Dollars	2½ a 4½ pr.	2 a 3 pr.
Mexican Dollars	¼ a ½ pr.	par a ——
Five Franc Pieces	93½ a 94 cents	93 a ——
Half Dollars	Par.	par a ——
BILLS OF EXCHANGE ON		
London	6½ a 7¼ pr.	5 a 7¼ pr.
France	5.37½ a ——	5.37½ a ——
Holland	39¼ a 39½	39 a ——
Hamburg	35 a 35⅛	35½ a ——
Bremen	75¾ a 76	75½ a 75¾
Boston	Par a ¼ dis.	⅛ a ½ dis.
New York		par a ⅛ dis.
Philadelphia	par a ⅛ dis.	
Baltimore	⅛ a ¼ dis.	¼ a ¾ dis.
Richmond	8 a 9 dis.	9 a — dis.
North Carolina	5½ a 6 dis.	
Charleston	1¾ a 2 dis.	3½ a — dis.
Savannah	2½ a 2¾ dis.	6 a — dis.
Augusta	3 a 3¼ dis.	
Columbus	nominal	
Macon	18 a 20 dis.	
Mobile	24 a 25 dis.	35 a — dis.
New Orleans	7½ a 8 dis.	8 a — dis.
Natchez	nominal	no sale.
Nashville	20 a 22 dis.	20 a 22 dis.
St. Louis	20 a 25 dis	
Louisville	7 a 7½ dis.	7½ a — dis.
Cincinnati	6½ a 7 dis.	10 a — dis.
Michigan	9 a 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	5½ a 11	8¾ a 9¾
Mobile	6¼ a 10¾	8¾ a 9¾
Upland	5 a 9¾	8 a 9¼
Flour, Western Canal, per bbl.	6.12½ a 6.43	5.50 a —
Philadelphia	5.75 a 5.87½	5.50 a 5.62½
Rye Flour	3.00 a 3.25	3.75 a 3.81
Indian Meal	2.87½ a 3.06	2.75 a 2.87½
Grain—Wheat, per bush	1.18 a 1.27	1.19 a 1.21
Rye	— a 58	63 a 67
Corn	55 a 62½	52 a 60
Oats	40 a 45	42 a 44
Iron, Amer., Pig, No. 1, per ton	30.00 a 32.50	— a 31.00
Bar rolled	75.00 a 80.00	77.50 a 85.00
Lead, Pig, per lb.	3¼ a 3½	4 a 4⅛
Tobacco, Richmond, per lb.	3 a 6	2½ a 7¼
North Carolina	2½ a 5	
Kentucky	2½ a 6½	3½ a 7½
Wool, American, Merino, per lb.	32 a 34	36 a 38
Common	18 a 20	27 a 30
Whiskey, Rye, per gal	16 a 17	17 a 19
Provisions, Mess Beef, per bbl.	7.25 a 8.00	7.75 a 8.50
Mess Pork, per bbl.	7.50 a 9	7.75 a 8.25
Hams, per lb.	6½ a 7½	6½ a 8
Lard, per lb	5½ a 6½	6½ a 7
Cheese, per lb.	7 a 8½	9 a 10½
Rice, per lb.	2¼ a 3⅛	3⅛ a 3⅞

To relieve the public distress, the Legislature of Ohio passed a law to prevent property from being sold, unless it would bring a certain amount, to be fixed by appraisers. This law operated very unequally. Another law of the same State, to prohibit buying and selling the notes of chartered banks, would have increased the mischief, if it had not, happily, been such a law as, from the nature of things, could not be enforced.

Kentucky adopted what has been called the "relief system," in all its extent. Stop laws, stays of executions, and replevin acts, followed one another in quick succession.—And Commonwealth banks, or State loan offices, were established in Kentucky, Indiana, Illinois, and Missouri, with power to issue millions of paper-money. The creditor had no alternative but to receive this paper or wait for payment till better times should arrive.

Governor Adair, in his message to the Legislature, in October, 1821, said, that "the paramount law of necessity" had compelled Kentucky to resort to a policy against which strong objections might be brought: but he added, "let it never be forgotten, that the measures adopted have completely realized the proposed end: that an agitated and endangered population of half a million of souls, has been tranquillized and secured, without the infliction of legal justice, or the example of violated morality."

All the people of Kentucky did not think so highly of the system, and the judges of the court of appeals were among the dissidents. They resolutely refused to acknowledge the constitutionality of the "relief laws:" and the Legislature established a new court of appeals, the judges composing which were friendly to the relief system.

The people divided into two parties, and the contest was conducted with great violence. The party friendly to the new court of appeals had the ascendency for several years. In 1824, they numbered sixty members of the Legislature, while their opponents numbered but forty. In the session of 1825–26, they appear to have been less powerful, for we find that preparations were made to defend the records of the new court of appeals with powder and ball.* In the fall of 1826, the friends of the old court elected a majority of members of the Legislature. A change of only ninety-one votes at the polls, would have given their opponents the majority of members. The old court party has, however, ever since retained the ascendency; and the relief system is at an end.

All parties now are willing to admit that this "relief system" did great evil. It did not effect an equitable adjustment of the affairs of debtor and creditor. That could have been effected only by a legislative or judicial recognition of the changes which had been made in the standard of value, and by a separate adjudication in each case. It was only by accident if a man received payment in paper of the same value as that which was current when the debt was contracted.

The Bank of the Commonwealth of Kentucky commenced discounting on the 27th of April, 1821. Its notes were sold almost immediately at seventy cents in the dollar; and continued to depreciate till April or May in the ensuing year, when the exchange was two hundred and ten paper dollars for one hundred silver dollars. On the 28th of July, 1821, which was ten days after it commenced its issues, the notes of the State Bank of Illinois were fifty per cent. below par. In addition to the loss which each creditor sustained by being paid in money of this description, he was liable to further loss from the paper depreciating while it remained in his hands.

The other branches of the relief system, the stop laws, the appraisement laws, the stays of execution, and the replevin acts, tended to destroy the confidence of men in one another and in the government.

The relief system is at an end; but its evil effects will be felt in the west for twenty years. What, then, ought we to think of the banking system, in which the relief system originated?

CHAPTER XV.

Of Banking in the Southwestern States.

From Mr. Gallatin's and Mr. Crawford's tables, there appear to have been three banks in operation in Louisiana, in 1814, with a capital of $1,432,300; two in Tennessee, with a capital of $212,962; and one in Mississippi, with a capital of $100,000.

The Banks of New-Orleans suspended specie payments in the latter part of April, 1814,† about four months sooner than the banks of Philadelphia. The pretext was, that a contraband trade was drawing away all the specie. The fact may have been as stated: but if the banks of New-Orleans had

* See Philadelphia Gazette of January 1st, 1826.

† See Niles' Weekly Register for May or June, 1814.

not issued to excess, no contraband trade, or any other kind of trade, could have deprived Louisiana of its metallic money. The excuse was, however, quite as good as that made by the banks of the middle States, viz. —"That dealings in British government bills of exchange, and importations of foreign goods through the eastern States, were drawing off all the silver."

The Bank of Nashville, Tennessee, did not stop specie payments till July or August, 1815, nearly a year after the banks of Philadelphia.*

The banks in Tennessee in 1817 were, the Fayetteville Bank of Tennessee, with a capital of 200,000 dollars; the Nashville Bank, with a capital of 400,000 dollars; and the State Bank, with a capital of 400,000 dollars. In November, 1817, the capital of the State Bank was increased to 800,000 dollars, and authority was given to it to accept a batch of banks as branches, which thereby swelled its capital to 1,600,000 dollars. A similar union was effected between the Nashville Bank and a number of others, by which the capital of the Nashville Bank was augmented to 1,031,705 dollars.†

Between the years 1817 and 1820, the capital of the Bank of Mississippi was increased from 100,000 to 900,000 dollars: and the number of banks in Louisiana was increased from three to four, and their capital from 1,432,300 to 2,597,420 dollars. About the same time, the system was introduced into Alabama, by the establishment of the Planters' Bank at Huntsville.

The same causes that led to the extension of banking operations in Ohio and Kentucky, were what led to an extension of banking operations in the southwestern States; and they all felt the reaction of the system about the same time.

In July, 1819, the banks of Tennessee stopped payment: and soon after, a law was passed forbidding the issuing of executions on judgments, for two years, unless the plaintiff would consent to receive "current notes" in payment.

As the "current notes," (that is, the notes of the non-specie-paying banks of the State,) were many per cent. below par, this was making a considerable abatement of the demands of creditors. It gave them cause for complaint, but did not effectually relieve debtors; and as the public distress increased, a special meeting of the Legislature was held in June, 1820, to consider the state of affairs.

* See Niles' Weekly Register for August, 1815.
† American Quarterly Review.

The governor told them, in his message, "He was fully persuaded that much good would result to the country generally, by extending the time in which payments can by the present laws be forced, unless the creditor should, by his own voluntary act, make terms of accommodation, and instead of cash payments, take from the debtor such valuable estate, either real or personal, as it may be in his power to give, and at such abatement under its estimated value as you may direct." The Legislature, in acting on this subject, not only adopted the proposition of the governor, but established a relief bank, with a capital of 1,000,000 dollars, to make loans to debtors only. As a fund for the redemption of the notes of this Bank of the State of Tennessee, as it was called, the proceeds of certain public lands were appropriated. At the same time, an act was passed authorising defendants to redeem in two years all lands and negroes sold under execution, on paying to the purchaser ten per cent. on the money he might have advanced.

Gen. Jackson, Col. Edward Ward, and other citizens, remonstrated against these proceedings, pronouncing them inexpedient, injurious in their tendency, and a violation of the constitution. Gen. Jackson, in particular, was very energetic in his opposition; and a number of the most respectable citizens of the State united with him in sentiment.—Their combined efforts could not prevent the Legislature from adopting the system: but it would hardly be correct to say, that their opposition had no effect. The issues of the Bank of the State of Tennessee were moderate, when compared with those of the Bank of the Commonwealth of Kentucky: and Tennessee appears not to have suffered as much as her sister State by the relief system.

In March, 1821, the notes of specie-paying banks were at an advance, at Nashville, of thirteen to seventeen per cent., when estimated in notes of the Bank of the State of Tennessee, and the currency does not appear to have undergone any sensible improvement for several years; for we find Tennessee paper quoted in the Philadelphia papers, of August, 1824, at twenty-five per cent. discount.

In July, 1826, the Bank of Nashville gave notice of its intention again to resume specie payments. It commenced them accordingly, in September; but 260,000 dollars in specie were drawn from it in seventy days, and it could bear no further drafts. The only Bank then remaining, (except the private bank of Yeatman, Woods & Co.,) was the Bank of

the State, the notes of which are quoted in the Philadelphia papers of 1829 and 1830 at ten per cent. discount.

The notes of the banks of Mississippi and Louisiana appear from the Philadelphia price currents, to have been subject to little, if any more vacillation than those of the banks of the middle States: but the currency of Alabama has been very bad.

In 1821, the notes of the local banks being discredited, no way was found of paying public expenses in Alabama, but by issuing comptrollers' warrants. These would not circulate, as some thought because they were on bad paper and not handsomely printed; whereupon, it was proposed to send to Philadelphia for blank warrants, handsomely engraved, and printed on silk paper.

In 1824, Huntsville notes were at thirty per cent. discount at Philadelphia.

In the next year, the Bank of the State of Alabama was brought into operation. All the spare funds of the State were devoted to its establishment, and its capital has been augmented from year to year, as the means of the State government have increased. Its loans are distributed among the different counties in proportion to their population.—Its notes do not appear ever to have been at par in the Philadelphia market.

In 1828, there was no local bank in operation in Kentucky, none in Indiana, none in Illinois, none in Missouri, but one in Tennessee, one in Mississippi, and one in Alabama.

Branches of the United States Bank were, however, doing an extensive business in the west: and Judge Catron, of Nashville, in an address which he published in June, 1829, pronounced the crisis a dangerous one.—"Millions," he said, "have been loaned by a single bank—the crush of 1819 must overtake us."

Directing his remarks "to the cultivators of the soil and the laboring people of Tennessee," he said—"The great pressure upon the people of this State for money, growing out of the excessive loans of the Branch Bank of the United States at this place, and the yet more excessive usury (from 5 to 10 per cent. a month,) everywhere prevailing, has induced me to address you this note upon a subject maturely considered of, during the last ten years; of the necessity of which, my convictions have been confirmed by experience and observation.

"I propose that the Legislature of Tennessee, at their next session, pass a law declaring—'That no one shall be bound for the debt or default of another, by writing or otherwise: Provided that the act shall not extend to securityships entered into in the courts of justice. In other words, that no one shall be bound as security for another, in any case, by word, bond, note or endorsement, for an ordinary contract between man and man.'

"Should such a law be passed, no man will be trusted, except upon the faith of his property, unless he has industry and honesty; debts will be small and few, cash payments generally required, and the necessaries of life cheaper to the consumer.

"Wives and daughters, I ask your powerful influence and aid, to procure the passage of a law, cutting off the powers of your husbands and fathers, to inflict ruin upon you, by standing the security of worthless adventurers. The writer begs your indulgence to his feelings, when he speaks of you in connection with ruined securities. He has seen you turned out from your happy homes upon the streets and highways in search of bread, the derision of those who have been the cause of your destruction.

"For the sake of your families, fellow citizens, let me entreat you to refuse your names, should the banks and usurers outvote us, and the law not be passed. If you go security, what right have you to hope that your house will be your own to cover the heads of your wife and children; you whose labor furnishes us all with bread, I ask—is not the speculator the idle and worthless coxcomb, who boldly solicits credit and obtains it, more encouraged in society than the most honest and industrious of you, who by hard and daily labor earns his bread? I appeal to you who till the earth, whom I hail as especial friends; I appeal to the mechanic, with the sweat and dust of labor upon him, are you not ridden down by unprincipled adventurers, in cloth and ruffles, who but the other day, through sheer worthlessness, deserted the plough, the plane, or the trowel, now turned merchants, or mock gentlemen in some form, upon the credit of those from whose side they so lately deserted? Bankrupts in purse, and knaves in principle, with nothing to recommend them save impudence, and the fine clothes bought with the money you have paid, or will be forced to pay, as their securities. Will you longer be imposed upon? I hear you vociferate the energetic NO: you are mistaken, my worthy friends, I know your indulgent natures; a hundred times you have determined, and been ready to take a solemn oath you would never again go security, and as often wanted firmness to resist the succeeding impudent request. Thou-

sands have I known ruined, calling heaven to witness every time they lent their names, that they had gone security for the last time.— You cannot help it, citizens; it is a weakness of your nature. Step forward boldly and confess that you cannot conquer it, and instruct your representatives to pass a law to protect your frailty, and guard you against those mistaken friends, or designing knaves, threatening your destruction."

Judge Catron may spare himself further labor. The present rage in the west and southwest, is for State banks of various forms. Political power and money power are to be henceforth in the same hands. Our present contests are less for the honors than for the emoluments of office. Their violence is to be increased by making the capital and the credit of the different State governments the prizes of the successful party. In the regulations which may be made for the distribution of loans, there may be great apparent fairness; but the practical operation of the system must be for the advantage of a small part of the community, and the disadvantage of all the rest. A new kind of aristocracy, a kind of half-political, half-moneyed aristocracy, will spring up in the land.

The State governments have no constitutional power to establish State banks, or any other kind of paper-money issuing institutions. They are expressly prohibited to "emit bills of credit." *Qui facit per alios facit per se.* He who does a thing by others, does it himself. State banks and incorporated paper-money banks are palpable violations of the constitution, and would be acknowledged to be so by every body, if interest did not blind men's eyes to the truth.

The business of lending money is no part of the duty of any government, either State or Federal. If a government has more funds than are required for public purposes, its duty is to remit part of the public taxes. Banking and brokerage are the proper pursuits of such private citizens as choose to engage in them, protected by the same laws that protect men engaged in other businesses.

CHAPTER XVI.

Of Banking in the Southern States.

The banks of the south found it convenient to suspend specie payments, soon after this measure was resolved on by the banks of Philadelphia; and an extension of banking operations in that quarter was the necessary consequence. Without resorting to other evidences, the following tabular view of the amount of bank capital in the four southern States, in two different periods, will be sufficient.*

	1814.	1816.
Georgia,	623,580	1,502,600
South Carolina,	3,730,900	3,832.758
North Carolina,	1,576,600	2,776,000
Virginia,	3,592,000	5,521,415
	9,532,080	13,632,773

According to Mr Gallatin's tables, there were fourteen banks in these States on the 1st of January, 1815, and twenty-three on the 1st of January, 1816. Two of the banks of Virginia had, in this interval, increased their circulation from 4,616,240 to 6,031,446 dollars. Of the circulation of the other banks in the south, we have no returns. The aggregate increase was, no doubt very considerable, but it was not sufficient to bring down the currency to a level with that of Maryland and Pennsylvania. In the tables appended to Mr. McDuffie's report, it is stated that, on the 1st of July, 1816, when subscriptions were made to the stock of the United States Bank, specie was, at Philadelphia, at 17 per cent. advance, and at Washington, at 20 per cent., while it was only 9 a 10 at Norfolk, and 6 a 8 at Charleston. The price of specie in North Carolina and Georgia, is not mentioned, but North Carolina notes bore a premium of four per cent. at Philadelphia, on that day, and New-York notes were at a discount of 5 a 9 per cent. at Savannah.

The comparative moderation of the southern banks is to be ascribed to the fact, that as but a small portion of the revenue from the customs is collected in the south, they did not get many of the treasury notes which were issued in the year after the war.

When the United States Bank began operations, it did not include the offices at Charleston and Savannah, in the plan for the "equalization of exchanges." It however gave these offices authority to do an extensive business. By the 29th of July, 1817, the branch at Charleston had made discounts to the amount of 850,000, and that at Savannah to the amount of about 300,000 dollars. On the 23d of June, 1818, the total of discounts at Charleston, including bills of exchange and stock notes, was about $2,700,000, at Savannah $1,000,000, at Fayetteville $500,000, at Norfolk $1,400,000, and at Richmond $3,000,000.

This increase of credit dealings in the south did not improve the state of the currency: and the attempts that were made to support

* See Mr. Crawford's report in 1820.

excessive issues of paper, by importing specie, proved unavailing. The directors of the Bank of the State of South Carolina say that "in the first six months of 1818, it is probable that upwards of $800,000 in specie were thrown into general circulation in the city of Charleston. It is probable that by the first of November in that year, not $50,000 of the whole sum remained in the State; we are confident that not $10,000 could have been found in Charleston."

The Bank of the United States was, to promote its own views, very indulgent to the banks of the south, at the commencement of its operations. Without being so, it could not, as its specie capital was inconsiderable, and as the deposits of public money were small in that quarter, have done much business at Savannah and Charleston. It freely received the notes of the local banks, and as it did not press for immediate payment, it encouraged them to make additional issues. The Bank of the United States could not, however, defer its demands for ever, and when it called for payment, a conflict commenced between it and the local banks, which was not fairly terminated for several years.

As some movements in the Legislatures of Georgia and South Carolina had, at an early period, indicated a disposition to embarrass its operations, the United States Bank did not deem it prudent to use the most rigorous measures with the Banks of Charleston and Savannah. Fully aware of this fact, the banks south of Virginia began, in the crisis of 1819, boldly to *evade* specie payments, if they did not make a full and formal suspension.

The Bank of Darien, Georgia, for example, adopted the following course of procedure, as is described by an eye-witness:—"Persons making demands on the Bank of Darien, must swear before a justice of the peace, *in bank*, to each and every bill presented, that it is his own: that he is not agent for any other person; and that oath must be made in the presence of at least five directors and the cashier: it also makes the person so demanding specie subject to a charge of $1 37½ on *each* bill, which must be paid on the spot, and unless you find five directors and the cashier together, you cannot make a demand."*

As the United States Bank could not easily get payment from the local banks, and as specie was almost immediately demanded for such of its own notes as it issued in the south, it found it politic, if not necessary, to receive what was due on account of the imposts in North and South Carolina, and Georgia, in notes of the banks of those States. So far as it traded, it traded on these notes—issuing none of its own. This arrangement gave the southern banks a monopoly of the profits derivable from the circulation of paper: but they were not satisfied, because they had not also the profits derivable from the use of the public deposits. When the United States Bank, in the spring of 1820, made a demand on the banks at Savannah, for payment of a considerable amount of notes, which had been received principally in payment of duties, those banks refused either to make payment in specie, or to allow interest on the sum which was unliquidated. The United States Bank then protested a large amount of their notes: and soon afterwards, five hundred dollars in notes of the State Bank of Georgia were advertised to be sold by auction, for specie, in lots to suit purchasers, in front of the Exchange at Savannah.

In August the Banks of Savannah had again the reputation of specie-paying banks: but they refused to give *money* to individuals for their paper, unless those applying for it would agree to take half the amount in bills of the *Darien* Bank. It cannot, however, be said that they refused all kinds of accommodation to the public, for while they would not pay cash for their notes, they would oblige a holder of them by giving him a draft on New-York at three per cent. advance.†

In this contest the local banks enlisted the feelings of the Legislature of Georgia in their favor; and an act was passed, in the beginning of 1821, to repeal the law allowing twenty-five per cent. damages on nonpayment of notes, so far as it might operate in favor of the United States Bank. Such a disposition in the Legislature, was an encouragement to the banks to evade payment to individuals: and we read, without feelings of surprise, that on a demand being made in April on the Planters' Bank of Georgia for thirty thousand dollars in specie, the cashier replied that he would pay in cents only: and that, when a gentleman of Augusta made a demand for specie in June, cents were tendered to him and counted out at the rate of sixty dollars a day.‡

From that time to this, the people of Georgia have suffered the evils of irregular banking, sometimes in one form and sometimes in another. The paper of their banks is usually at a discount in the Philadelphia market, exceeding the natural rate of ex-

* Niles' Weekly Register, August 14th, 1819.

† Niles' Weekly Register, August 26th, 1820.

‡ United States Gazette of April 30th, and June 22d, 1821.

change, that is, the cost of transporting specie. In 1824, complaints were made that "change" bills, issued by individuals and corporations, were in circulation. In the same year we find the governor declaring "that all the banks should resume specie payments without delay." If they all resumed them, they could not all maintain them, for Mr. White, of Baltimore, in a letter to the Secretary of the Treasury in 1830, speaks of "intelligence having just been received of the failure of some of the principal banks of Georgia to redeem their notes with specie." Complaints of sufferings by the people of the State have been frequent. In 1824 and 1828 these complaints were very loud. When the Legislature attempted to relieve the planters, by establishing a bank on the funds of the State, called the "Central Bank," and opened that bank for business at Milledgeville in 1829, "the rush for money was tremendous."

In South Carolina, a disposition was evinced by a part of the population to make the suspension of specie payments perpetual. Full proof of this is to be found in a long and elaborate report by the Directors of the Bank of the State, dated October 1st, 1819, in which all the arguments of the English anti-bullionists are placed in prominent relief.—The prosperity of the country from 1815 to 1817, is depicted in glowing colors. The effects produced by the resumption of specie payments are deplored as unnecessary evils. "It becomes necessary to inquire," say the directors, "whether, in the present state of the world, a metallic currency, sufficient for the wants of our country, is attainable, and whether, if it be obtained, it will be worth the necessary cost: whether, in fact, a currency equally good, perhaps better, may not be established, without any of those sacrifices which our country has already been obliged to make, and which it must for a long time make, to secure this fugitive and evanescent object. * * * * In Great Britain, where alone, in modern days, gold and silver have for a short time been left freely to find their value in an unshackled market, they have been known to fluctuate in value nearly fifty per cent. in the course of a few months: a fluctuation which no paper currency has ever undergone, excepting such as has been issued by the mandates of arbitrary and necessitous governments, where no value is received for it on its emission, no pledge given or secured for its redemption."

The Bank of the State of South Carolina did not pay specie regularly till the year 1823, and the United States Bank at Charleston, as it is stated in Degrand's Weekly Report, "fostered the irregularity by aiding the circulation of State Bank paper which was not convertible." Since that time, banking does not appear to have been less "regular" in South Carolina than in Pennsylvania: but as "regular" banking by corporations and with paper-money may produce great evils, it might be worthy of inquiry if *part* of the sufferings of the people of that State have not their origin in this cause. The excitement, however, at this moment, appears too great to permit such an inquiry to be made.

Virginia has the honor of being the first State that took effectual measures towards reforming the currency. This she did in 1820, when she passed an act to prohibit the circulation of notes of a less denomination than five dollars. Her banking operations have never been less regular than those of the middle States: and she will probably be one of the first to establish a perfectly sound system of credit and currency.

Of the condition of affairs in North Carolina, the reader may judge, by the following extract from a report made to the Legislature, at the session of 1828–9.

"The Legislature having laid down, in the charters of the several banks, certain fundamental articles for the government thereof, the committee assumed these articles as the basis of their investigations, and proceeded accordingly to inquire, in the first place, whether the stock of the several banks had been raised in the manner required by their charters? The evidence received by the committee on this point, shows that the charters of the banks were disregarded and violated in the very creation of their capital.

"The charter of the Bank of Cape Fear, enacted in 1804, authorised that corporation to raise a capital stock of $250,000; and the charter of the Newbern Bank, enacted in the same year, authorised that bank to raise a capital stock of $200,000; both charters directing the capital to be paid by the stockholders in gold or silver. The undersigned have received no evidence as to the mode in which these banks got into operation. It would seem, however, that they contemplated, at the outset, an evasion of the provisions of their charters. It is in evidence to the undersigned, that soon after they went into operation, they contrived to get possession of nearly all the paper-money which had been issued on the faith of the State, which, being at the time a legal tender, enabled them to evade demands for specie, which they did,

by thrusting this ragged paper at those who presented their notes for specie. In 1807, $25,000 were added to the capital stock of each of these banks; in 1814, their charters were extended, and they were authorised to increase their respective capitals to $800,000 each, viz., the Newbern Bank was authorised to raise an addition to its stock of $575,000, and the Bank of Cape Fear, an addition of $525,000. It is in evidence to the undersigned, that the whole of this additional stock was manufactured by the banks themselves, and that, in many instances, favored individuals were permitted to acquire stock by subscribing their names, and putting their notes into bank, without advancing a single dollar of actual capital. It follows, that the whole amount of the interest drawn from the people, on the loans made on this fictitious capital, was a foul and illegal extortion. The effect of the transaction was the same as if the pretended stockholders had individually executed their notes of hand, without interest, to the amount of notes which they issued from the bank, and exchanged them with the people for their notes, bearing interest, and renewable every ninety days. Taking the issues made on this fabricated capital to be in proportion with those made on the former capital, they must have put into circulation, on the faith of the assumed stock, between 3 and 4,000,000 of notes; and thus, a parcel of individuals, under the name of stockholders, but who, in fact, held no stock, contrived to exchange their notes, without interest, to the amount of 3 or 4,000,000, for the notes of the people, bearing an interest of more than 6 per cent.; and while the property of the people was pledged for the payment of the notes they had given *to* the stockholders, there was not a dollar or an atom of property pledged to them for the payment of the notes they had received *from* the stockholders; so that for the use of their notes, which, intrinsically, were of no value at all, the stockholders of these two banks have drawn from the people, by way of interest, something like $200,000 annually.

"The charter of the State Bank, enacted in 1810, authorised that corporation to raise a capital stock of $1,600,000, and directed books to be opened to receive subscriptions for that sum, requiring at the same time, that individuals subscribing for stock, should pay three-fourths of the amount subscribed in gold or silver, and the other fourth in the paper currency issued on the faith of the State. Books were accordingly opened, and the sum subscribed, including the subscription of $250,000 for the State, amounted to $1,175,600. Of this sum, only $500,000, or thereabouts, was paid into bank, as required by the charter, in gold or silver. The balance was paid in bank notes. Upon the capital thus constituted, the bank went on to operate till November, 1818; at which time, the proportion between the notes in circulation and the specie on hand, was nearly twelve to one. In other words, the bank had largely upwards of eleven and nearly twelve dollars of their notes in circulation, for every dollar of specie in their vaults. The directors then ordered books to be opened to receive subscriptions for the $424,000 which remained unsubscribed when the books were first opened; and it forms a part of the order by which this additional subscription was authorised, that the subscribers *might* pay it in the notes of the bank. The reason assigned for this operation of the directors, is, that they were desirous of applying the sponge to a part of their outstanding debt; and by way of calling in $224,000 of their notes, they authorised individuals who held them to subscribe for stock in the bank to that amount, and pay for it in their notes. Thus, at a time when they had in circulation nearly twelve dollars in notes for every dollar of specie in their vaults, and when most obviously they were unable to redeem their notes with specie, they purchased them from the holders by the sale of stock which they themselves created by the mere act of subscription. This the undersigned conceive to have been a most flagrant and fraudulent violation of their charter. The charter only authorised the bank to operate on a real and intrinsic capital, and directed that the capital should be paid into the bank by the stockholders. In the transaction alluded to, the bank itself, by a scribbling process of its own, created the capital, and paid off a portion of its debt, by the very act by which it also increased its capital. A circumstance, too, which greatly adds to the enormity of the transaction, is, that before all the instalments became payable, the State Bank, the Bank of Newbern and Bank of Cape Fear, entered into a formal resolution, through their delegates assembled at Fayetteville, in June, 1819, not to pay specie: and their notes immediately fell to fifteen per cent. below par. Then commenced the system of usury and extortion, which has since been carried on with such unparalleled audacity, under the *name* of *exchange*. Up to this time, viz., 1819, the high tide of commercial prosperity enjoyed by the country, enabled the banks to keep afloat, notwithstanding the artificial character of their capital, without re-

sorting to this daring and dishonest expedient. They had kept pace in their operations with the increasing resources of the country, so as to absorb, by way of interest on discounts, nearly all the profits on the immense business then doing; and having raised against the people a debt equal to the vast resources which, from 1815 to that time, they had derived from their foreign commerce, as soon as the alteration occurred in our foreign relations and these resources were cut off, the business of the country, unable any longer to employ the immense circulating medium which had been created by the banks, and their notes returning upon them for redemption, they determined to extort from the people additional premiums on loans in order to enable them to meet the demands of their creditors. A scene of extortion and usury ensued, which has no parallel in the annals of avarice—the strange spectacle of moneyed institutions exacting specie in exchange for their notes, which they themselves refused to redeem with specie.—To show the gross character of the usury thus carried on, the undersigned will suppose a case: An individual applies to the bank for a loan of 1000 dollars, and offers his note to be discounted for the amount. He is told by the bank that his note cannot be discounted, unless he will exchange with them 1,000 dollars of specie funds, for 1,000 dollars of their notes. Taking their notes to be 5 per cent. below par, 1,000 of their notes would, *in fact*, be no more than 950 dollars. So that the substance of such a proposition would be, that the borrower should give the bank *fifty dollars* as a premium for the loan of 1,000 dollars: which, added to the legal interest received in advance, would amount to something more than 11 per cent. In some instances, the usury has been still more rank. Quantities of their notes have been loaned to individuals on condition that the whole amount should be returned in 90 days in specie funds. At the rate of depreciation before stated, such a transaction would be equivalent to the exaction of 26 per cent. The evidence received by the committee, shows that the State Bank and Bank of Newbern have been guilty of such practices since the summer of 1819.—There is no evidence that the Bank of Cape Fear has. It appears in aggravation of the guilt of these practices, that, in the case of the State Bank, the specie funds thus extorted from the people in exchange for their depreciated notes, have been employed by the bank in purchasing back those notes at a discount: That they have, at times, employed agents to New-York and Petersburg, to buy up their notes: and that about twelve months since, a parcel of their notes was bought up by their agent at Petersburg at 8 per cent. discount. It is stated by the President of the Bank of Cape Fear, for whose testimony too much respect cannot be expressed, that the notes of that bank have, at different times, been bought up at a discount by the bank.—That a quantity of its notes were so purchased in anticipation of the late call of the stockholders: and that during the panic occasioned by that call, something like 500 dollars of their notes were bought up by the bank at a discount of 5 per cent. The depreciation of the notes of all the banks, occasioned by the refusal of the banks to make good their notes with specie, has been productive of incalculable mischief to the community; and it is no inconsiderable aggravation of the mischief to know that, in the case of the State bank, large quantities of their notes have occasionally been thrown into circulation by themselves in the purchase of cotton. It is in evidence to the undersigned, that they laid out at one time 30,000 dollars of their notes in the purchase of cotton, on which they made a profit of more than 8,000 dollars.—Another remarkable fact in the history of the State Bank, which the undersigned will notice in passing, is, that to protect themselves from demands for specie, they determined at one time to administer an oath to an individual, presenting their notes for specie, in which he was compelled to state that he was not a broker. It further appears to the undersigned, that all the banks have bought up United States Bank notes, for which they exchanged their own notes at a discount; and the State Bank and Bank of Cape Fear, in direct violation of their charters, have purchased stock to a considerable amount in the United States Bank. The State Bank appears to have made a most convenient use of this arrangement. It appears from the evidence of the late president of that bank, that they have been in the habit of rendering false statements to the Legislature; and that in May last, when they stated in their exhibit that they had on hand 214,000 dollars in specie, 140,000 dollars of it consisted of stock in the United States Bank. So that, instead of keeping the specie in their vaults to take up their paper, they have vested it in the stock of another bank, and were deriving interest from it. It further appears from the evidence of the same person, that the amount of actual specie now in the State Bank at Raleigh, is not more than 300 to 400 dollars: at any rate, not exceeding 1,000 dollars.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, April 27, 1842. No. 22.

This JOURNAL OF BANKING, or *Bank Newspaper*, is published once in every two weeks, making in a year, with the *index*, a volume of 416 pages.

The price for a single copy. is $1,50 per annum; for four copies, $5; for ten copies, $10.

In all cases, subscriptions must be paid in advance.

Subscriptions are received in—

PHILADELPHIA—By the Editor, No. 302 Race street.

Mr. G. B. ZIEBER, *News-vender*, corner of Third and Dock.
Mr. J. R. COLON, *News-vender*, 203½ Chesnut street,
Mr. J. M. DAVIS, *bookseller*, 449 Market street.

NEW YORK—Mr. W. HAYWARD, *Stationer*, 89 Division st.

BALTIMORE—Mr. W. TAYLOR, *News-vender*, North street.

BOSTON—W. H. S. JORDAN.

Single numbers for sale as above.

In other places, subscriptions will be received by any person who chooses to appoint himself agent for others, and remit the money for one, two, five, ten, or more copies.

Postmasters have a right to frank letters written by them selves, containing subscriptions and payments for newspapers and other periodicals.

BANKING IN NEW ENGLAND.

A New England gentleman once remarked to us that the History of Banking could have been written no where else than in Philadelphia. No other city, certainly, could have afforded such facilities for writing it; for here the system began, and some important facts connected with its commencement lived only in the memories of the aged till we committed them to paper. Other facts were recorded in pamphlets, of which but few copies are extant, and these, perhaps, to be found no where but in the public libraries of Philadelphia.

Our friends, the venerable and lately departed John Vaughn, the Librarian of the American Philosophical Society, George Campbell and John J. Smith, Librarians of the Philadelphia Library Company, and Wm. McIlhenny, Librarian of the Athenæum, afforded us every facility in making our researches. But in their extensive and valuable collections, which amounted then to upwards of 50,000, and now exceed 70,000 volumes, we searched, but searched in vain, for details of the early history of banking in New England.

To the politeness of Mr. Nathan Appleton, of Boston, we are indebted for a pamphlet published by him anonymously some years since, which enables us in part to supply this deficiency.*

We commence our extracts with a paragraph which Mr. Appleton has embodied in one of his subsequent publications; and which has already been inserted in this Journal. But the reader will be pleased to see it again, in connection with facts which strikingly illustrate the importance of keeping bank notes at par in the *centre* of the commercial district in which they are intended to to be current.

"The place where a bank note is payable is of the utmost importance, in order to secure its general currency at par. That place must be the commercial centre of the district through which it is to circulate. The constant demand for remittances to this central point, will give to bank notes payable there, a constant equality with, or preference over specie, through all the district of country drawing their supplies from that centre. Thus a bank note, payable in Boston, will have a natural circulation through all that part of New England trading to Boston, or drawing its supplies from thence; but the moment the line is passed into the district, drawing its supplies from New York, bank notes payable in that city can alone supply a pure circulation, and so of the other great cities. The depreciated paper currencies which have, at different times, inundated so many parts of the United States, have generally been owing to a departure from correct principles in this particular; to the forcing into circulation the bills of banks situated in places more or less remote from the commercial centres, toward which all circulation tends.

"A hasty sketch of the course of banking in Massachusetts, will fully illustrate this truth, as respects ourselves, and ought to furnish us a lesson of some use for the future.

"The Massachusetts Bank was established in Boston in 1784, being the second bank established in the United States; the Union Bank in Boston, in 1792; banks in Salem and Newburyport, soon after; and by the year 1803, no fewer than twelve

* In the third number of this Journal, we stated that Mr. Nathan Appleton was President of the Branch Bank of the United States at Boston. We were in error here. It was a near relation of his, Mr. William Appleton, that filled this office at the time of the expiration of the charter. But as Mr. Nathan Appleton has for many years been very extensively engaged in business, his remarks on the subject of the exchanges are entitled to as much attention as they would be if he had actually been President of the Branch Bank.

country banks had been established in Massachusetts, extending from the Kennebec east, to Northampton in the interior. Numerous banks were also incorporated about this time in the adjoining States.

"While the only bank notes in circulation were payable in Boston, they were preferred to specie both in town and country; but from the moment the notes issued by the banks of places at even small distances made their appearance, the question arose, whether they should be received at the Boston banks; the practice was fluctuating, sometimes at par, sometimes at a small discount. The country banks considered it a great hardship, that the Boston banks should send home their bills and demand specie for them, instead of putting them in circulation again. Public opinion took the side of the country banks; and the Boston banks, very unadvisedly, gave up receiving the bills of out of town banks altogether. The consequence was, that the bills of country banks obtained the entire circulation even within the town of Boston. The Boston banks had given them credit and currency, their solvency was not doubted, and for all common purposes they became equally current with the bills of the Boston banks, which were only necessary for the purpose of making payments at those banks. A double currency was thus introduced, the one called 'foreign money,' or 'current money,'—the other 'Boston money;' the difference being, for several years, about one per cent. It was deemed a sort of heresy to call this difference a *discount* on country bills; it was a *premium* on Boston money—a scarce commodity, only wanted for particular purposes; precisely as the difference in England, between Bank of England notes and guineas, at the period of the greatest depreciation, was held to be a premium on gold.

"This state of things introduced a new branch of business and a new set of men, that of money brokers, whose business it was to exchange these currencies, one for the other, reserving to themselves a commission of about ¼ of one per cent.; or, in the language of the day, giving a premium of ¾ per cent. for Boston money, and selling it at a premium of one per cent. While the quantity of foreign money continued moderate, it was thus kept afloat by the demand for circulation; as persons wanting money to send into the country, or for other purposes, where foreign money would be received, would buy and employ this cheaper currency, rather than use the more valuable bills of the Boston banks. But the business of issuing these notes being a profitable one, the supply, ere long, exceeded the demand; and, as the channels of circulation overflowed, the brokers began to send the bills home for payment.

The state of the currency became the subject of general complaint, the brokers were denounced, as the authors of the mischief, as the cause of scarcity of money, and the country banks made no scruple of throwing every obstacle in the way of their operations. It is a well known principle, that where a currency is tolerated, composed of materials depreciated in different degrees, the inferior, or most depreciated currency, will eventually expel, not only the pure, but also the less depreciated parts of the currency, and this equally whether it consists of paper or metal; the mass of the community being wholly insensible to the process of depreciation going on. In conformity with this principle, the nearest banks were naturally called on first, and it was soon discovered that a bank could be made profitable, in proportion to its distance from Boston, and the difficulty of access to it. The establishment of distant banks became a matter of speculation, the favorite locations being the remote parts of Maine and New Hampshire.

"In order to equalize and extend the circulation of foreign bank notes, an institution was incorporated in 1804, called the Boston Exchange Office, with a capital consisting wholly of such notes, in which currency it received deposits, collected notes, and made discounts. The experiment, however, was not very successful; the brokers continued to send home the bills of the nearer banks, until they disappeared, and the discount on foreign money continued to increase, as the bills of the more distant banks predominated.

"In the mean time, an individual,* perceiving how convenient an engine the Exchange Office might be made, for the purpose of circulating the notes of particular banks, undertook one of the most extraordinary speculations ever attempted in any country—no less than the control and monopoly of the circulating medium of New England. He bought up, at a great premium, nearly the whole stock of the Exchange Office, of several distant banks, as the Berkshire and Penobscot, and of several in Rhode Island, amongst others the celebrated Farmers' Exchange. In several of them he, apparently, obtained the entire control of their issues. The funds so obtained, were invested in the purchase of real estate, and the erection thereon of the enormous pile, since destroyed by fire, known by the name of the Boston Exchange Coffee House.

"Had the money, thus placed within his control, been employed judiciously, it is difficult to say what might have been the result. But under the enormous investment, in property wholly inconvertible, he became pressed for means, and was forced to push his bank notes into circulation on any terms. In this state of things the discount on country bank notes rapidly increased—and the obstacles to making payment were multiplied in equal degree. Many ingenious methods of counting money were invented in order to create delay; and the custom was introduced of giving drafts on an agent in Boston, at 10, 20 and 30 days, which were extended, by degrees, to 60 and even 90; and in consequence of the drafts being, in some cases, dishonored, the parties were permitted to retain the bills, as security, when they required it. The discount on foreign money increased to 4 and even 5 per cent.

"By this time the merchants and dealers, engaged in country trade, on whom the burthen of

* The individual here alluded to is Andrew Dexter. He was the great man of the Farmers' Exchange Bank, the history of which is given in No. 16 of this Journal, pages 249—251.

this depreciated currency fell most severely, thought it time to interfere. In the autumn of 1808, they raised a fund for the purpose of sending home the bills received in the way of business, for payment, with the determination of enforcing it, by bringing numerous suits in case of refusal. This soon brought the currency to a crisis. The Farmers' Exchange Bank suddenly failed, under most alarming circumstances; the shock upon the public was tremendous. The Berkshire Bank soon followed. The discovery that banks could fail, affected the credit of all, and in the course of the year 1809, the greater part of the country banks in Massachusetts, Maine, and New Hampshire, having any considerable amount of bills in circulation, stopped payment. Some of them recovered, but a great number proved irredeemably insolvent. It would probably be a moderate estimate, to put the losses by the bank failures of that period at a million of dollars.

"No change of system followed, with the exception that a law of the State, taking effect in 1810, imposed a penalty of two per cent. a month on every bank refusing, or delaying payment of their bills when demanded, which has had the effect of securing punctual payment, except in cases of acknowledged bankruptcy.

"For some years after the explosion of 1809, the amount of bills of distant banks in circulation was moderate; and in 1814, the New England Bank adopted the measure of receiving the bills of all the banks in New England, at a discount varying according to distance, but in no case exceeding one per cent.; and on condition of a sufficient permanent deposit being kept good, they were returned to the banks issuing them, at the same rate of discount; the bills of banks not keeping such deposit, were sent home for payment. This arrangement was the source of considerable profit to the New England Bank, which induced other banks to become competitors for the deposits of the country banks, and for a few years the discount was fluctuating from $\frac{3}{4}$ to $\frac{1}{4}$ per cent. In 1824, the present system was adopted, by which the bills of all the banks in New England are received in Boston at par. The system is this; certain banks in Boston have contributed a sum agreed on, to a common fund; and, in consideration of the use of that fund, one of them, the Suffolk, undertakes to receive all New England bills from the associated banks as cash, and collect them from the country banks. The mode of doing it is as follows: the country banks are invited to keep a fund in deposit at the Suffolk Bank, for the redemption of their bills, and by doing so, it becomes a very simple operation to both parties. If they decline, the bills are sent home for payment, in which case nothing is received but specie. The trouble and inconvenience attending this mode of payment, soon induces the country bank to yield to its true interest, and keep up the deposit; since, thereby, it can keep in circulation a larger amount of bills than it would otherwise be safe to attempt.

Under this system, all New England bank notes are virtually redeemable in specie, at par, at the counters of the associated banks in Boston, and this equally, whether the banks issuing the notes agree to it or not. It was, in fact, the subject of great complaint with many country banks, that their bills should thus be raised in value to an equality with specie against their own consent. But the public being benefitted by the change, they have been obliged to submit in silence."

These principles of action ought to be adopted throughout the country. All the banks of West Jersey, of Delaware, and of that part of Pennsylvania that trades with Philadelphia, ought, for example, to keep their notes at par in this city. The banks of another portion of Pennsylvania ought to keep their notes at par in Baltimore; and the banks of West Pennsylvania, West Virginia, and part of Ohio, should keep their notes at par at Pittsburg. In the Middle, Southern, and Western States, we suffer inconveniences from our paper currencies which are unknown in other parts of the world. Whether the banks of Old England and New England contract or expand, and whether they suspend or sustain specie payments, the currency they issue has a *uniformity* of market value. Brokers' shops, for exchanging one kind of paper money for another, are almost unknown in those regions. But in the Middle, Southern, and Western States we have currencies of nearly as many varieties of value as places of issue: and the sum paid annually in discounts on bank notes, would almost cover the expenses of the Florida war. This is an evil which ought to be put an end to, not by "Act of Assembly," but by the force of public opinion, if not by the spontaneous action of the banks.

From "The Clubs of London."

THE BANK OF KILLARNEY.

"To speak of the banking system in Ireland during the late war, and, indeed, at the present day," said an Irish gentleman, one evening, at Brooke's, "is as bad as talking of a fire to a man who has been burned out, and lost all his property in the flames. To such an extent was this species of robbery carried, at one time, that provincial or country notes were issued for sums so low as three pence; whilst those for six shillings were actually accounted high."

Another gentleman having expressed amazement at this state of things, the first speaker gave the following instance of the truth of his assertion:

"In the town of Killarney," said he, "was one of these banks, the proprietor of which was a kind of saddler, whose whole stock in that trade was not worth forty shillings; but which forty shillings, if even so much, was the entire amount of his capital in the banking concern.

"I once accompanied a large party of English ladies and gentlemen to that enchanting spot; where, having amused ourselves for a few days, we were on the point of returning to Dublin, when one of the party recollected that he had in his possession a handful of the saddler's paper. Accordingly we all set out, by way of sport, to have them exchanged, our principal object being to see and converse with the proprietor of such a bank.

"Having entered the shop, which barely sufficed to admit the whole company, we found the banking saddler hard at work making a saddle. One of the gentlemen thus addressed him:—

"'Good morning to you, sir; I presume you are the gentleman of the house.'

"'At your service, ladies and gentlemen,' returned the saddler.

"'It is here, I understand, the bank is kept?' continued my friend.

"'You are just right, sir,' replied the mechanic; 'this is the Killarney Bank, for want of a better.'

"My friend then said:—'We are on the eve of quitting your town; and as we have some few of your notes, which will be of no manner of use to us elsewhere, I'll thank you for cash for them.'

"The banker replied, 'Cash! plase your honor, what is that? is it any thing in the leather line? I have a beautiful saddle here as ever was put across a horse; good and cheap upon my say so. How much of my notes have you, sir, if you plase?'

"This question required some time for an answer, calculation being necessary; at length my friend counted them out as follows:—

	L.	s.	d.
Three notes for 3d. each,	0	0	9
Two do. for 4d. each,	0	0	8
Two do. for 6 1-2d. each,	0	1	1
Three do. for 8 1-2d. each, three-fourths of a thirteen,	0	2	1½
Two do. for 9d. each,	0	1	6
One do. for 1s. 1d. or one thirteen,	0	1	1
One do. for 1s. 6d.,	0	1	6
One do. for 3s. 3d. or three thirteens,	0	3	3
One do. for three and nine pence half penny, or three thirteens and a half,	0	3	9½
	L0	15	9

"'There, sir,' said he, 'are no less than sixteen of your promises to pay, for the amazingly large sum of fifteen shillings and nine pence, sterling money.'

"'By the powers, it's yer honor may say that thing; for, if sterling manes true to the back bone, it's the Killarney notes will keep out for the year round, without no changing at all at all.'

"'No doubt, no doubt,' said our spokesman; 'but we are upon the eve of departure, and shall require change on our journey.'

"'Ye will require the same thing, sure enough; but I vow to my God, I've no more silver money in the place, nor these four tinpinnies, and a few harpurs, as isn't worth yer lordship's notice.'

"'Good Heaven, sir,' returned the gentleman, 'how is it possible that you carry on the banking business on so slender a capital?'

"'O', by the hokey! aisy enough, my dear,' replied the banker; 'the craturs are delighted to have my beautiful notes; for there is very little other money stirring in these parts, and they buy their potatis and butter milk with them; and so the notes pass on from one to the other very comfortably.'

"'But you are continually liable to have them sent in upon you for their value,' observed one of the company.

"'That's true enough yer worship! whenever any of the farmers wants a horse collar, or a saddle, or other harness, they brings me a handful of the paper, and it's myself niver refused to give them a good article in exchange.'

"'Do you mean to say, then,' continued the gentlemen, 'that your notes are never required to be cashed?'

"'Cashed!' echoed the banker, 'it is changed ye mane?'

"'Certainly,' replied the querist.

"'It's that same is a great expense to me! The craturs bring me back the notes when they get ould and ragged; and it's myself niver yet refused to change them for beautiful new ones, fresh from Dublin city; and I puts my name to them to make them go the faster.'

"Here the whole party, finding it impossible to restrain their mirth, set up a loud shout of laughter: upon which the banker thus continued—

"'Upon my say so, I'm right glad to find so worshipful a company enjoy their merriment; but it's myself knows well the power o' money it costs to get them engraved so beautiful, and to get them printed on such nice thick paper, aye, five hundred at a time.'

"'Don't you mean to say, then,' said the first gentleman, 'that the holders of your notes never demand the lawful money of the country in exchange for them?'

"'Sure, yer lordship, isn't the notes themselves lawful money enough, any how? But it's silver ye mane!'

"'Certainly,' returned the querist.

"'Oh, by the powers!' replied the banker, 'the people hereabouts wouldn't insult me by axing the question; if they did, may be the bank would stop payment, and then there would be no money at all at all. No, they would be sorry to do any such thing; they give the notes to one another, when they're tired of keeping them, or when they want to buy any thing. I get more boddher, axing yer honor's pardon, in changing the notes for the gentry as comes to see the Lakes, than from all the rest o' my paper put together. The big divil fly away with the Lakes of Killarney, say I.'

"'Then I presume, sir,' said the gentleman, holding out the notes, 'we have no occasion to waste more time in endeavoring to obtain payment for this parcel of paper of yours.'

"'I should be sorry, most noble sir,' returned the banker, 'to waste any more of your lordship's time, or of those sweet beautiful ladies and gentlemen, but I have an illigant bridle here, as is'nt to be matched in Yoorup, Aishy, Afrikey, or Merica. Its lowest price is 15s. 6 1-2d—we'll say 15s. 6d. to yer lordship. If ye'll be plased to accept of it, there will be two pence half-penny, or a three penny note coming to yer lordship, and that will close the business at once.'

"'Really, sir,' said the gentleman, laughing, 'I have no occasion for the bridle: it would only be an incumbrance to me.'

"'May I have the boldness, then, to ask when yer lordship will lave town?' inquired the banker.

"'Our carriages are at the door of the Inn,' rejoined the gentleman, 'and we only wait for the adjustment of this affair with your bank.'

"'How unfortunate!' exclaimed the banker, scratching his head; 'but as neither saddle nor bridle lie in yer lordship's way, if ye could but just delay yer journey until the Cork mail comes in, I expect by the coach a thirty shilling Bank of Irelander, and then we'll settle the business in a jiffey, though upon my deed and deed, and double deed! you have no occasion to be in the least dread or unaisiness about the notes; because d'ye see as how, there is not a banker from this to Dublin, ay, or to Galway, that would not be proud to take Jack Ryan's paper.'

"'That is not so very certain, my good fellow,' returned the gentleman; 'the people on the road know us to be strangers, and they will require payment in the legal coin of the realm.'

"'Pray, sir,' said the banker, eagerly, 'does yer honor mane to take the road to Millstreet? because, as how, you must go that way any how, there being no other. Oh! then, it is there Mr. Cotter will be glad to see so fine a company at his hotel; and joyful will he be to entertain with the best, both for man and horse, for the notes of the Killarney Bank.'

"It being in vain to think of any exchange of this non-circulating medium, the English gentlemen not attaching the same importance to it as the banker, the party wished him a good morning and took their leave, laughing heartily at the adventure.

"It is an ill wind, however, which blows nobody good; when the party arrived at the Inn door, they found the carriages surrounded by nearly 200 unfortunate mendicants, amongst whom the gentlemen let fly their notes, in order to have a passage cleared, and took their departure whilst the miserable creatures were scrambling for the alms."

[Laugh, if you choose, in reading this story, but while you laugh, recollect that our American banks, *even the best of them*, conduct their business on the same principles as the Banker of Killarney. They all pay their old notes by giving new ones in exchange for them; and if the people should "insult" the New York and New England banks by demanding gold and silver in payment for but one half the paper they have in circulation, they would all "stop payment."

In one respect the Killarney Bank must be regarded as resting on far more solid principles than most of our American Banks. Though its proprietor could not pay silver, he never, it seems, refused to give a saddle, a bridle, or something else possessing intrinsic value, in exchange for his notes. If our American banks were hard pushed, very many of them would be unable in any way to redeem their circulating paper.]

AMERICAN MANUFACTURES.

The article we gave in our last number on this subject, induced a gentleman to bring to us a copy of a report made by a committee of the Legislature of Pennsylvania in 1837, some passages in which afford abundant evidence that so long as our paper money system continues, no tariff can afford *efficient* protection to American manufactures.

The committee of the Legislature, it is proper to observe, were appointed to inquire into the effects which the employment of children in factories has on their physical, intellectual, and moral condition; and the effects which the paper money system has on this branch of industry, were *incidentally* brought out in the course of the examination.

We subjoin a part of the testimony of Mr. Hagner, a gentleman who was a warm advocate of the high tariff doctrines, till his attention was called to the currency question. His opportunity for observations have been ample. His father was engaged in one branch of the cotton manufacture as early as the year 1805, and he himself was at one time a manufacturer of woollens. It will be seen from his testimony that while our banking system makes manufacturing a losing business to nearly all who are engaged in it, it produces additional evils by frequently setting the employers and the employed at variance.

Manayunk, May, 1837.

TESTIMONY OF CHARLES V. HAGNER.

I have resided in this place (Manayunk) about seventeen years: have seen and closely observed its rise and progress. The first manufactory was erected in the years 1819 and 1820, by the late Captain John Towers. I built my establishment in the fall of 1820; in the beginning of that year, this was comparatively a wilderness. Since then it has grown to the extent you now see it. * * * There are seventeen mills here, of various kinds, including the one not yet started. * * * * *

I have been in the habit, for years past, of freely associating with, and hearing the views and ideas of the employers and employed in these establishments; have been a close observer of the frequent difficulties existing between them; have seen and observed the causes and effects of the "strikes" and "turn outs" that have so frequently occurred in this village in the last fifteen

years. Sometimes I have considered the employers in the wrong; at others, the employed; and firmly believe, that both are the victims of a power over which they have no control, and which, with but few exceptions, and those generally with the workmen, they do not seem to understand; but which, I fully believe, so long as it exists, will produce the same effects—continual disturbances and difficulties between them: combinations of employers on the one side—trades' unions on the other. The power, or the cause I allude to, is the frequent expansions and contractions of the currency. I do not pretend to point out a remedy, or to lay blame any where: I only speak of what I have seen and know to be its practical effects on the business and population of this place; and presume it is the same in all other manufacturing districts, where the anomaly is so often witnessed, of large stocks of goods, prices high—and the reverse, small stocks and prices low.

The welfare and prosperity of manufactories, and all engaged in them, seem to me, more than anything else, to require a stable and settled currency; without it they will never get along for any length of time with peace and quietness; so fully am I aware of this, and of the difficulties of managing them, that I have often said, and now solemnly repeat, that if the largest cotton establishment in this village were offered to me as a gift, on the sole condition that I should carry it on for twenty years, I would not, under present circumstances, accept it; experience has abundantly proved that high tariffs, under the present monetary system, are of little, if any benefit to them. I have seen them sickly and profitless with the highest tariff; and healthy and profitable under the lowest reductions. The best tariff, and in fact the only way in which our manufacturers can hope to prosper for any length of time, must be through some wholesome legislation on the subject of currency; without this, experience will prove, that they will be continually subject to difficulties and perplexities, and in the end, unable to compete with the foreign manufacturer, especially on the continent of Europe, where they have been for some time past increasing and extending their establishments, and introducing all the modern improvements in machinery from this country and England; and I shall be much mistaken, if we do not find, before twenty years passes round, competitors infinitely more difficult to contend with than the English—cheap living, and as a consequence, cheap labor, will, in the end, be found the best and *only* tariff.

As an exemplification of some of these views, suppose the manufacturer to be doing a fair and prosperous business—his hands contented and satisfied; experience proves, that this state of things will last but a short time. An expansion of the currency takes place; goods rise; provisions, and all the necessaries of life rise; the workmen soon begin to feel the effect; their situation is daily growing worse; they find they cannot procure near so many comforts and necessaries for their weekly wages as they did before; and although trade seems prosperous every where, they are the sufferers; at last it arrives at that point at which they can stand it no longer; then comes a "strike" for higher wages; the mills all in confusion; the whole village in a state of turmoil, to the great injury of good order, morals, and the interests of all concerned; the employer, (although I have known frequent exceptions,) generally resists; the difficulty lasts some two or three weeks; he finally gives way; a compromise is made; the whole tariff of wages is altered, and the hands return to their work. A further expansion of the currency takes place, and the same things are repeated. Next comes a contraction of the currency, and now the employer is the sufferer; goods, and the necessaries of life fall; he cannot afford to make his goods at the prices; he loses, sometimes to a very considerable extent, and at last finds it absolutely necessary to reduce the wages of his hands; he notifies them to that effect; a "turn-out" of the hands, to resist the reduction ensues; a repetition of the difficulties, turmoil and confusion; this time the hands give way, and come into the measures of the employer. A further contraction of the currency takes place, and this is also repeated, &c. &c. This is a plain, unvarnished tale, and a fair and honest epitome of the history of the manufactures of this place, in connexion with this subject, from its commencement to the present day. These continual difficulties between the employer and employed, destroy all good feeling and affection between them; the employer, generally speaking, cares little for them or their welfare; and they have little regard for him or his interests; he contracts with them to do a certain amount of work; they do it to the letter of the agreement—not one jot more. On pay day, he pays them to the last cent, and here ends all communication between them. Instead of the good feeling that ought to exist, the attention on the part of employer to the welfare and happiness of his people, and their attention and regard to his interests, the very reverse is too often the case, and I have known many instances where the bitterest animosity existed. * * * *

There are always to be found in the factories many worthy, remarkably intelligent and well-informed workmen, as the committee have no doubt discovered. Men, from whom statesmen and philosophers could learn useful and practical lessons on these subjects; they generally understand the exciting causes of the difficulties they often labor under, much better than their employers; and in numerous instances, are possessed of far more good sense and intelligence; but, unfortunately, they are in humble life, and have no power to correct the evils they see and feel. These men are not generally known, understood or appreciated. If some of them had been consulted, and their views listened to, on the various subjects connected with manufactures, the tariff, their own interests, &c., instead of the fanciful, theoretical manufacturer's, whose whole knowledge of the subject was derived from deceptious statistical tables, pamphlets, and statements collected from persons having other views and interests than the ostensible one of protecting the manufacturer, much valuable information could

have been procured. They could have told, long since, that the "tariff"—the mere discussion of which, had nearly thrown the whole country into confusion—so far as it concerned their interests, was all a farce; and that the only manufactories protected or benefited by it, are the manufactories of bank notes.

To the testimony of Mr. Hagner we will add our own. Some near relations of ours were among the first in Pennsylvania to manufacture woollen goods with modern machinery. We watched their operations closely, from the time we were old enough to watch them. *They were ruined by fluctuations in the currency.* At the time they were broken up, we extended our inquiries to other establishments, and we could hear of but one person in the State engaged in the woollen manufacture that had not lost by the business. That one confined himself to the fabrication of coarse goods, and appeared to have had a very profitable contract with the United States Government.

THE GIRARD BANK.

At a special meeting of the stockholders of this bank, held on the 22nd of April, the committee of investigation appointed at a former meeting, made, through their chairman, Mr. Henry Horn, a long and interesting report.

In this report the committee state that, in 1834, or about two years after the bank came into existence, it succeeded in obtaining a large share of the public deposits: and that, in order that this share might be made still larger, the passage of an act of Assembly was procured in 1836, by which the capital of the bank was increased from one million and a half to five million dollars, and its charter extended to twenty years from that time. So delighted were the stockholders with this amendment of their charter, that they gave to Mr. Lewis, the cashier, two hundred shares of the stock of the bank, as "a compliment for his agency in procuring the passage of the act."

"Had the additional capital been paid in by the subscribers in good faith, instead of placing their promissory notes in the bank in lieu of the money, to be renewed indefinitely, in some cases without paying the interest, the increase of capital might have been at least harmless. But such appears to have been the avidity with which the directors sought to get rid of the stock, in order to obtain the largest amount of the public deposits, contingent on the full increase of the capital, that a variety of expedients were resorted to for the sake of obtaining the object in view: large masses of stock were, from time to time, transferred to friends and partisans which were subsequently transferred to the bank. Large loans were made to facilitate the stock operations, while the legitimate business paper of the community seemed to be a matter of but little consideration. The maximum of Government deposits having been obtained, a system of prodigality in loaning them out was commenced, which baffles the conception of sober and reflecting minds, and of which we have but few examples even in the annals of modern banking."

"By the system of modern refinement in finance which they (the managers) adopted, the capital of the bank was made to appear to be five millions of dollars, when in truth the amount actually paid in, never exceeded two-thirds of that sum. The device, however, so far as regarded the Treasury Department, was successful, and the books of the bank afford the most melancholy evidence that the funds of the Government, ranging at times as high as four million dollars, were loaned out in the reckless manner adverted to."

"So effectually were the means of the bank absorbed in large and unavailable loans, that, up to the time when the first incumbent retired from the Presidency, the bank with a discount line in various forms of some six or seven millions, scarcely possessed active business paper to the amount of two hundred thousand dollars."

The upshot of the matter is, that the notes discounted, stocks, and other investments of the Girard Bank amount nominally to $5,664,769: but are worth, according to appraisement, only $756,771.

Such is banking when carried on by irresponsible boards of directors, and having paper money for its foundation.

BANK FAILURES.

The Housatonic Rail Road Bank, at Bridgport, Connecticut, stopped payment, very unexpectedly, on the 17th of April. This is the second time this bank has stopped payment within a year.

The Bank of Hawkinsville, Georgia, has been forced into liquidation by a writ of *scire facias.*

The New Hope Delaware Bridge Company has finally stopped payment. The Legislature of New Jersey will now, it is to be hoped, take from this company the power to manufacture paper money.

An injunction has been served on the New York Banking Company, and a receiver appointed.

BANK DEFAULTS.

The cashier of the Pascoag (R. I.) Bank, one day, not long since, left the banking house to go to dinner, leaving on the table a number of papers, notes, &c., with bills of some other banks, to the amount of about 3000 dollars. While he was absent they took fire and were destroyed. The cashier, whose state of mind subsequent to this event, was such as to give much anxiety to his friends, has since mysteriously disappeared.

Benjamin Bently, late cashier of the German Bank of Wooster (Ohio) after having been arrested by the Sheriff for secreting the assets of the bank, was suffered to go at large again, on giving bail in the sum of 1000 dollars.

"Governor Roman," says the New Orleans Picayune, "has issued his proclamation offering a

reward of five hundred dollars for the apprehension of 'one Edward Yorke,' accused of embezzling seventy thousand dollars, the funds of the Exchange Bank. Alas! but fortune is a capricious jade! A few short weeks since, and this same 'one Edward Yorke' was one of the principal men who controlled the finances of the State, and guided the councils of the city. He is now advertised as a fugitive from justice; though whatever have been his delinquencies, they must have been perpetrated previous to, and not since, the time we speak of."

Mr. John Warren, a director of the Bank of Columbus, Georgia, states that it was the misconduct of the cashier, Mr. A. B. Davis, that caused the bank lately to stop payment. He took from it, without the knowledge or consent of the Board of Directors, the sum of about 200,000 dollars, and invested it in cotton. This amount has since been reduced to about $80,000, with which sum he is charged as "agent of the bank." Then, again, he took from the bank, without the consent of the Board, the sum of 76,000 dollars. His total indebtedness to the bank is about 140,000 dollars, "exclusive of his cotton speculation as agent aforesaid."

Mr. Blanchard, a teller in one of the Boston banks, who had been accused of illegally abstracting money therefrom, has been acquitted of the charge.

NEW YORK.

The aggregate circulation of all the banks in the State of New York, on the first of January last, was $15,032,638, being about three millions and a half, or 19 per cent. less than at the commencement of 1840.

Recent returns from several banks in the interior, exhibit a decrease of 25 to 50 per cent., since the beginning of the present year: and it is believed that the gross circulation of the banks is now reduced to about eleven millions.

Such is "convertible paper." Always varying in amount, and changing its value with every change in its volume.

OHIO.

Seventeen of the banks of this State, (believed to be all that are now actively engaged in business, except the Commercial Bank of Cincinnati,) had on the 4th of March an aggregate circulation of $388,257. The same banks had in January a circulation of $1,214,449. The reduction, in the short period of two months, is equal to about 25 per cent.

The banks of Cincinnati issue but few notes of their own, and trade principally on the irredeemable paper of Kentucky and Indiana, thus completely frustrating the intentions of the Legislature. In the northern parts of the State, however, the act for the resumption of specie payments is said to have proved effective.

THE UNITED STATES BANK.

The Judges have not yet decided whether Messrs. N. Biddle, Cowperthwaite, and Andrews, shall be brought to trial for the offences with which they are charged. And, for various reasons, which we may mention hereafter, the general expectation here is, that there will be no trial. This we shall regret, as a judicial investigation of the case would probably throw considerable light on the *philosophy of banking.*

"THE LUMBER BUSINESS."

Judge Barton of the Court of General Sessions, has refused to discharge Mr. Handy. The counsel of this gentleman produced a certificate, signed by the members of the Legislative committee, stating that he had fully complied with the conditions of the resolution by which he had been induced to turn State's evidence: but this did not satisfy the Judge.

Governor Porter's interference in this business, was a most unfortunate movement. As all the Judges of the Court of General Sessions were appointed by him to office, and as the Attorney General is believed to be very closely connected with him, no investigations of the case that may be made before this tribunal, will be likely to satisfy the public mind.

☞ Acknowledgements in our next.

Saturday, April 23, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	⅜ a ½ dis.	1 a — dis.
New Hampshire	⅜ a ½ dis.	1 a — dis.
Vermont	— a ½ dis.	1 a — dis.
Massachusetts	⅜ a ½ dis.	1 a — dis.
Rhode Island	⅜ a ½ dis.	1 a — dis.
Connecticut	⅜ a ½ dis.	1 a — dis.
New York City	Standard.	½ a — dis.
New York State	par a 1 dis.	1 a 4 dis.
East Jersey	— a ½ dis.	1 a — dis.
West Jersey	1 a 5 dis.	Par a 3 dis.
Philadelphia	— a ⅜ dis.	Standard.
Pennsylvania, East	— a — dis.	Par a 15 dis.
" West	— a — dis.	5 à 25 dis.
Delaware	— a ½ dis.	Par.
Baltimore	½ a ¾ dis.	1 dis.
Maryland	— a 5 dis.	Par a 5 dis.
District of Columbia	— a 1 dis.	1½ dis.
Virginia	— a 9 dis.	8 a 9 dis.
" West	15 a 20 dis.	15 a 25 dis.
North Carolina	— a 6 dis.	6 a 6½ dis.
South Carolina	— a 3 & 4 dis.	3½ a 4 dis.
Georgia	— a 5 dis.	4 a 40 dis.
Alabama	— a — dis.	22 a 25 dis.
Louisiana	10 a 25 dis.	3½ a 15 dis.
Mississippi	— a — dis.	— a — dis.
Tennessee	— a 25 dis.	18 a 20 dis.
Kentucky	— a 10 dis.	8 a 10 dis.
Missouri		10 dis.
Illinois	— a 50 dis.	50 a — dis.
Indiana	— a 15 dis.	20 a — dis.
Ohio	— a 10&15 dis.	10 a 15 dis.
Michigan	— a 10&20 dis.	10 a 18 dis.
American Gold, (new coinage).	Par a —	par a —
Sovereigns	4.85 a ——	4.85 a ——
Heavy Guineas	5.00 a 5.05	5.00 a 5.05
Spanish Doubloons	16.25 a 16.50	16.25 a 16.50
Patriot Doubloons	15.60 a 15.80	15.60 a 15.80
Spanish Dollars	2½ a 4½ pr.	2 a 3 pr.
Mexican Dollars	par.	par
Five Franc Pieces	— a 93 cents	93 a ——
Half Dollars	Par.	par a ——
BILLS OF EXCHANGE ON		
London	6¾ a 7 pr.	6 a 7 pr.
France	5.37½ a 5.40	5.37½ a ——
Holland	38¾ a 39	39 a ——
Hamburg	34¾ a 35	35½ a ——
Bremen	75¼ a 75½	75½ a 75¾
Boston	Par a ¼ dis.	⅛ a ½ dis.
New York		par a ¼ dis.
Philadelphia	par a ⅛ pr.	
Baltimore	⅛ a ¼ dis.	¼ a ⅜ dis.
Richmond	7 a 7½ dis.	8 a — dis.
North Carolina	5½ a 6 dis.	
Charleston	1½ a 1¾ dis.	3½ a — dis.
Savannah	2¼ a 2½ dis.	6 a — dis.
Augusta	2¾ a 3 dis.	
Columbus	nominal	
Macon	18 a 20 dis.	
Mobile	24 a 25 dis.	29 a 32 dis.
New Orleans	7 a 7½ dis.	8 a — dis.
Natchez	nominal	no sale.
Nashville	18 a 20 dis.	18 a 20 dis.
St. Louis	20 a 25 dis	
Louisville	7 a 7½ dis.	7½ a — dis.
Cincinnati	7 a 7½ dis.	8 a — dis.
Michigan	9 a 10 dis.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	5½ a 10½	8 a 9¼
Mobile	5½ a 10½	8 a 9¼
Upland	5¼ a 9¼	7 a 9¼
Flour, Western Canal, per bbl.	6.12½ a 6.25	5.62½ a 5.87½
Philadelphia	5.75 a 5.87½	5.75 a 6.00
Rye Flour	3.00 a 3.25	3.69 a 3.75
Indian Meal	3.00 a 3.12½	2.50 a 2.87½
Grain—Wheat, per bush	1.18 a 1.27	1.22 a 1.30
Rye	62½ a 63	63 a 68
Corn	58 a 64	53 a 61
Oats	38 a 48	38 a 42
Iron, Amer., Pig, No. 1, per ton	27.50 a 32.50	26.00 a 31.00
Bar rolled	75.00 a ——	77.50 a 85.00
Lead, Pig, per lb.	3⅜ a 3⅝	3⅜ a —
Tobacco, Richmond, per lb.	2½ a 6	3½ a 7½
North Carolina	2½ a 5	
Kentucky	3 a 6½	3½ a 7½
Wool, American, Merino, per lb.	32 a 34	33 a 35
Common	18 a 20	27 a 30
Whiskey, Rye, per gal	17 a 18	17 a 18
Provisions, Mess Beef, per bbl.	7.25 a 8.00	7.75 a 8.00
Mess Pork, per bbl.	7.50 a 9	7.50 a 8.00
Hams, per lb.	6¼ a 7½	5 a 8¼
Lard, per lb.	5¾ a 7	5 a 7
Cheese, per lb.	7½ a 9½	9 a 10½
Rice, per lb.	2⅝ a 3¼	3 a 3⅛

"The undersigned have now gone through the details of the evidence, and stated all the *essential* facts collected in the course of their examination. Having thus embodied a simple statement of the facts, they would here close their report, and leave the conclusions and arguments to the Legislature; but they feel themselves impelled, by a solemn sense of the duty which they owe to the Legislature and the country, to take a brief view of the present relation between the banks and the people, and the consequence which *must* ensue if the banks are permitted to continue their operations; and in doing so, to advert to the report of the committee of the stockholders of the State Bank at their late general meeting. It appears that the people of North Carolina, having already paid to the banks, since they went into operation, a profit of about 4,000,000 dollars on their stock—stock, too, three-fourths of which was manufactured by the banks themselves in a fictitious and fraudulent manner—that, having paid this immense sum, exceeding four times the amount of the actual capital stock ever paid into the bank according to law, they still hold the notes of the people for more than 5,000,000 dollars, about four times the amount of the whole circulating medium of the State.—Thus it is in the power of the banks *absolutely to extinguish* the currency of the country, and when they have taken every dollar out of circulation, still to have a debt against the people to the amount of about 4,000,000 dollars. We say it is in their power to do it; and they intimate pretty plainly that they *will* do it. The communication from the stockholders of the State Bank, now before the committee, expresses the opinion that it is for the interest of the stockholders to withdraw their money from the bank, and take it under their own management; and contains a resolution by which they have proclaimed their resolution to assemble in June next, in order to determine whether they will proceed to *wind up* their affairs, and, consequently, *the affairs of the people of North Carolina.* Thus having for years contrived, by illegal and fraudulent practices, to draw from the people all the *profits* of their labor, and having by these practices placed the people in an impoverished condition, where they can no longer pay them large profits, they are now preparing, by one fell swoop, to extort from them the *actual means of subsistence.* But the question occurs, will *you* permit it? Will you permit a parcel of men, who have long set the laws of the country at defiance, to go on and complete the ruin they have already so nearly accomplished? Will you not bring them to the observance of the law? Will you not at length cause them to feel the rod of that law they have so long despised and violated? These questions, your committee conceive, answer themselves. When the Legislature is called upon to determine whether their constituents shall live under a government of laws, or a government of corporations, it cannot be difficult to decide.—The undersigned, therefore, recommend to the Legislature the adoption of the following resolution:—

"Whereas, it appears to the Legislature that the State Bank of Newbern, and the Bank of Cape Fear, have violated their charters and committed great frauds on the people of North Carolina, whereby said banks have forfeited the powers and privileges granted in their charters: Therefore,

"*Be it Resolved by the General Assembly of the State of North Carolina*, That the Attorney-General be, and he is hereby directed forthwith to institute a judicial inquiry into the conduct of the said banks: and that he prosecute such inquiry by writ of *Quo Warranto*, or other legal process."

No such judicial inquiry appears to have been instituted. The practical sovereignty remains with the banks of North Carolina: and they respect the laws and public opinion, just so far as they believe to be conducive to their own interest.

CHAPTER XVII.

Of Banking in New-England.

We have searched the public libraries of Philadelphia for particulars respecting the New-England banks that broke previous to the war, but have been able to find no document of any importance, except the report of the committee of the Legislature of Rhode Island in relation to the affairs of the Farmers' Bank of Gloucester, the substance of which has already been incorporated in this work.—Many writers allude to the great distress that the operations of the moneyed corporations produced in New-England about the years 1808 and 1809, but they do not even give a list of the banks that then stopped payment.

That the distress was great, we have incidental proof in the rigidity of the laws afterwards adopted to enforce specie payments. All experience shows that till the evils produced by moneyed corporations become ab-

solutely unendurable, the proper remedy is not applied.

After the commencement of hostilities with Great Britain, the New-England banks were obliged, in order to maintain specie payments, to wind up nearly all their credit dealings. This operation necessarily produced much distress, and greatly increased the dissatisfaction with which the people of that section of the Union regarded the warlike policy of government.

This distress does not appear to have terminated with the war. For a Philadelphian, writing in August, 1815, says, after mentioning the curtailments made by the New-England banks, "real estate would not command prices nigh its former value; merchandize fell greatly below its usual rate; whilst money in the market was worth two per cent. a month. This is the *existing* state of things in Boston. * * * * * It is manifest that the operation of the rigid laws of Massachusetts is highly injurious to the commerce of their towns, and we do not see that the boasted capacity of their banks to pay a *few* notes in specie, renders their situation more enviable than our own."*

The natural anxiety of the New-Englandmen to get payment of what was due to them by the people of the middle States, was attributed to ill-feeling. "Circumstances," said a New-York writer, "have excited a spirit of envy at our prosperity, which has superadded a restless malignity of effort to increase artificially and aggravate the evils of an unfavorable balance. Whoever has attended to the uniform language of eastern men and eastern writers, cannot have failed to discover this spirit,—they will not believe that I speak of its authors with undue severity."†

The *apparent* prosperity of the middle States was such as might well excite envy; but it was a wholesome adversity New-England was experiencing. Her currency could not, indeed, be called perfectly sound, for as appears from Mr. Crawford's report, many of the inconvertible notes of the other States found their way into her territory. But as the people had got them for less than their nominal value, they sustained no other loss than that which arose from the notes undergoing an additional depreciation while they remained in their hands. The standard of value by which contracts were regulated in New-England was not affected; and the banks being prevented from suspending specie payments, were prevented from exciting a wild spirit of speculation in the people.

The natural consequence of the suspension of specie payments in the other States, was an influx of specie into New-England. That this was very great, may be inferred from the fact that the Massachusetts banks, which had $1,560,004 in specie in 1811, had, in 1814, specie in their vaults to the amount of $6,393,718. It was useless to keep such an amount of specie lying dead. The abundant issues of treasury notes by the government afforded easy means of paying duties. There was enough, either of specie or of notes of different kinds in circulation, to supply all the wants of domestic trade. The specie was, therefore, exported with so much rapidity, that the amount in the Boston banks, which had been $5,466,759 in June, 1814, was, by June 1815, or about five months after the return of peace, reduced to $2,125,076; or, if the amount in the Worcester Bank be included, to about $2,800,000. The exportation of specie did not stop till there was no more left than was just sufficient to support the credit of the notes in circulation: so that when the United States Bank commenced operations, the other states could derive no important supplies of metallic money from New-England.

From a combination of causes, the operations of the United States Bank were of limited extent in New-England. The channels of circulation there were fully occupied by local bank notes which had never been discredited. The new institution had so little metallic capital, that it could not enter into competition with the local banks; and all the funds it acquired as receiver of the public moneys at Boston, were wanted to support its operations in the south and west.

Hence, the reaction of 1819 was less sensibly felt in New-England than in other parts of the Union.

The ordinary operations of banking in New-England, are, however, such as ought to make men lament that the system was ever invented. Expansions and contractions have, as we have before had occasion to remark, a more striking effect on the operations of manufacturers than on those of agriculturists. So facile is production with modern machinery, that a small rise of prices causes a great increase of manufactured articles. In a short time, the banks are forced to contract. Then there is a scarcity of money and a glut of manufactures. Then the manufacturers petition for new additions to the duties on im-

* "Inquiry," &c.

† "Statius," in the New-York Columbian; republished by Mr. Carey, with commendations, as an appendix to his "Letter to Mr. Calhoun," 1816.

ports. The tariff is raised accordingly. Enterprise is again awakened. There is a demand for capital: and the banks supply—— credit. There is, however, no more solid ground for an extension of credit after the passage of a new tariff act, than there was before. Not more than a year or two elapses before the necessary reaction commences. The manufacturers, again startled with the prospect of ruin, apply for additional "protection." It may be granted; but it is doubtful if any tariff that can be established, will, while this system of money dealings continues, be able to protect multitudes from ruin. We know some very zealous, and very intelligent friends of the "American System," who are decidedly of opinion, that if there were no moneyed corporations and no paper-money in the country, the manufacturers would require no protecting tariff. If the excitement in relation to protecting duties was less violent than it is at this moment, we might invite particular inquiry into the effect paper banking has on manufactures. We might illustrate our argument, by showing the effects expansions and contractions of bank medium have on manufacturing operations in England.

The multitude of banks in New-England, makes it necessary for those concerned in them to resort to a variety of *expedients* to sustain them in their operations. Of these expedients none but the concerned could give a full account: but some idea of their nature may be formed from the disclosures which are occasionally made.

Mr. Niles, in his Weekly Register for September 8th, 1821, for example, gives the following quotations from the New-York Journal:—

"We observe by a notice in the 'Dutchess Observer,' that the farmers of Dutchess county have been *shorn* of their wool by a most singular operation—or, in other words, that nearly all the wool in that county had been sold to J. Butler, cashier of the Litchfield Bank, who had recently failed, and assigned his factory, wool, &c. to the bank, as security for his debts, leaving the farmers to suffer.

"The story, as told by one of the shorn, is briefly this: The Wolcottville Factory formerly belonged to Mr. Wolcott, who failed, being largely indebted to the *bank*. As the bank is prohibited from buying and selling property, their cashier, Butler, became nominally the proprietor. The belief that James Butler acted in behalf of the bank, was so universal, that he obtained an unlimited credit. The agents for the factory have recently made large purchases of wool, in the usual manner, upon the notes of James Butler. A great proportion of the wool raised this year in Dutchess county has thus been purchased and carried over to Litchfield, and as soon as the same is well packed away, James Butler, the cashier, is discovered to be a defaulter to the bank for some 16,000 dollars, and he assigns his factory, and the stock thus fairly and recently acquired, to the Litchfield Bank. The bank is paid—the farmer has a *Litchfield shearing*—and James Butler, the cashier, is insolvent."

The art of forming bank capitals by discounting the stock notes of subscribers, appears to be as well understood in New-England as in Pennsylvania. The Kennebeck Bank, in Maine, had a nominal capital of 100,000 dollars; but an official investigation, in the year 1826, showed that 89,370 dollars of the whole amount consisted of stock notes: that the directors held nine-tenths of the stock, and that they were in debt to the bank not only for the amount of their stock notes, but in an additional sum of 34,400 dollars. For two years, this bank divided 12 per cent. per annum.

The expose of the Bath Bank in the same State, was very similar to that of the Kennebeck Bank. Nearly three-fourths of the capital were represented by stock notes, and nine-tenths of the stock were owned by the directors. More than three-fourths of all the discounts, in addition to those on stock notes, were made to the same directors.

The capital of the Bank of Vassalborough consisted of 300 shares, of which 283 "belonged either personally or representatively to a partnership at Hallowell, A. & J. Leonard, the former of whom is president. The whole amount of *money* which the bank had on hand on the 21st of June, 1826, was $40,000; $36,000 of which was in the hands of the firm above mentioned, and $4,000 in the hands of the cashier. The bank had no record or charge to exhibit against the Leonards, who had about the whole property of the institution, and the cashier had taken up his bond. The commissioners were requested to postpone their report till the bank concerns could be put into some form and comeliness, but the disorders of the body politic appeared too incurable to be thus tampered with."

On an investigation of the affairs of the Burrillville Bank of Rhode Island, it was found that only 6000 dollars of the capital had been paid even in stock notes.

Bank capitals being thus easily formed, and legislative charters conferring great privileges, we cannot wonder at the multiplication of banks in New-England. Rhode Island, which had thirty-four banks in 1820, increased the number to fifty by the year 1830: and Massachusetts, in the same period, made an addition of forty to the number of her banking institutions.

In some of their recent acts, the legislature of Massachusetts have endeavored to guard against the formation of bank capitals out of stock notes, but that it is possible for the getters up of banks to evade, if so disposed, even the strongest legal enactments, may be learned from the following extract from a report made to the Senate of the State, on the 25th of January, 1830.

"The Sutton Bank was incorporated the 11th of March, 1828. The act of incorporation provides—'That the capital stock of said corporation shall consist of one hundred thousand dollars in gold and silver, to be divided into shares of one hundred dollars each, which shall be paid in the manner following, viz. one-half part thereof on or before the first day of October [then] next, and the remaining part thereof on or before the first day of March, in the year of our Lord one thousand eight hundred and twenty-nine.'—And it further provides, that no moneys shall be loaned or discounts made, nor shall any bills or promissory notes be made or issued from the said bank, until the capital subscribed and actually paid in, and existing in gold and silver in said vaults, shall amount to fifty thousand dollars, nor until the said capital stock, actually in said vaults, shall have been inspected and examined by three commissioners, to be appointed by the governor for that purpose, whose duty it shall be, at the expense of the said corporation, to examine the money actually existing in said vaults, and to ascertain, by the oaths of the directors of said bank, or a majority of them, that the said capital stock hath been *bona fide* paid in by the stockholders of said bank, and towards the payment of their respective shares, and not intended for any other purpose, and that it is intended there to remain as part of said capital."

"On the 26th day of September, 1828, the Governor, in compliance with an application for that purpose, made by a committee of the subscribers for stock in said Sutton Bank, appointed commissioners to examine the money actually existing in vaults of said bank, as is provided in the second section of their act of incorporation. On the 27th day of September, 1828, the Sutton Bank borrowed, on a deposit of fifty-one thousand dollars in the bills of the City Bank, the sum of fifty thousand dollars in specie, for one day only; this same specie was examined by the commissioners, and the following certificates made out, viz:—

"We, the subscribers, commissioners appointed for that purpose, have this day been shown, and have examined, fifty thousand dollars in specie in the vaults of the Sutton Bank, which was paid in by the stockholders at their first instalment, agreeably to their Act of Incorporation, passed the eleventh day of March, 1828.

JONATHAN LELAND,
AMASA ROBERTS,
SAMUEL WOOD,
Commissioners.

September 27*th*, 1828.

Boston, Sept. 27*th*, 1828.

"SUFFOLK, *ss.*

"Then personally appeared Hezekiah Howe, Jonas L. Sibley, Joshua W. Leland, and Thomas Harback, being a majority of directors of Sutton Bank, and made oath that fifty thousand dollars in specie by them shown in their vaults, was the first instalment paid by the stockholders of their bank, towards the payment of their respective shares, and not for any other purpose, and that it is intended therein to remain, a part of said capital.

Before me,
"ELIPHALET WILLIAMS,
"*Justice of the Peace.*

"*The bills and specie were then re-exchanged: this whole business accomplished within an hour, and all of it done within the walls of the City Bank, in the city of Boston.*

"It appears from the books of the company, that the several payments for the first instalment were made on the first and sixth days of October, 1828, and on the same days, almost all the stockholders are charged with notes for the same amount as their respective instalments: in two instances, notes were taken from individuals equal to their own subscription and the sums due from their minor children, in whose names stock had been subscribed: in two instances only, and those for a small amount, it appears any payment was made in money.

"On a petition to the legislature, praying that they might be allowed further time to pay in the remaining moiety of their capital, 'An act in addition to an act to incorporate

the president, directors, and company of the Sutton Bank,' was passed on the 20th of February, 1829, which provides, 'that the said fifty thousand dollars shall be paid in gold and silver, in the manner following:— twenty-five thousand dollars on or before the first day of June next, and the remaining twenty-five thousand dollars on or before the first day of October next.' The payment in June was made in the same manner as the first payment, as was also the last, with the exception of some shares on which the instalment was not settled, either by note or otherwise. The object of the corporation in requesting an extension of the time of making payment for their stock in the mode adopted by them is not apparent, as it may be supposed that it would be as convenient for them to make their notes in March last, as in the months of June and October following."

The case of the Eagle Bank at New-Haven is deserving of notice. This bank had a capital of six hundred thousand dollars, and was accounted one of the safest banks in New-England. It failed in September, 1825: and from a report by a committee of the Legislature, we give the following extract.

"George Bradly, Esq., the president of the institution, was employed as cashier of said bank from its commencement, until the year 1817, when, on the resignation of the Hon. Simon Baldwin, he was elected president. From that period, the president was permitted to be the sole manager of the institution. Its funds were placed entirely under his control and disposal. No rules were prescribed by the board of directors regulating the mode of transacting the business of the institution, or requiring its officers to bring their doings under the review of the board during the aforesaid time. The president had not only in his hands the entire control of the concern of the bank, but had, by accumulation of proxies, the power of appointing the directors. In the successive changes of the board, no examination was made into the state and condition of the bank. The funds of the institution were employed in speculations, and adventures unknown to the directors and stockholders, and entirely unconnected with, and remote from, the business of banking.— Loans were made in various forms, and to a great extent, which were not communicated to the directors, and in some instances by arrangement not to be communicated. In this course of management individuals obtained, without the form of security, and for various purposes, funds of the bank, exceeding the capital; and to supply the exigencies created thereby, agents were employed in whose hands the bills of the bank were placed to give them a forced and distant circulation, and by that means to sustain the operations of the bank. Those operations were not recorded in the regular books of the bank, but vested in loose papers in the custody of the president, and in a book, in which the initial letters of the names of the agents were entered, and the figures containing the amount by them received. The statements annually rendered to the legislature have been calculated to mislead, rather than to afford any information on which the public could safely rely, in relation to the true state and condition of the bank. In one instance 220,000 dollars, issued upon the checks of the president, Normand Dexter, Henry C. Rossiter, and Messrs. Hinsdale, and other memorandums of indebtedness not entered upon the books of the bank, were not included in the reported amount of circulation, making an error in the statement of the aforesaid sum of two hundred and twenty thousand dollars. In the course of the last spring, other and further expedients were adopted by the president to assist his operations. Without the order or consultation with the board of directors, a new post note was procured, and notes in that form, payable on different times, were placed in the hands of an individual to an alarming amount, and without the precautions of security, to obtain, by negotiations, the funds necessary to relieve the increasing pressures on the bank. Those notes were not entered regularly into the books of the bank, and not known otherwise than casually to the board. The consequences of such expedients were in a few months developed. The inability of the institution to redeem its notes, brought to an end its operations as a bank in September last, and the distress in which the creditors were involved, and the great body of the stockholders, who cannot be supposed to have any agency in the management, is too deep and too extensive to require to be stated by the committee."

In May, 1827, a report was made to the Legislature, that the amount of bank notes and post notes of the Eagle Bank in circulation, was 815,478 dollars. In May, 1828, another report was made, in which it was stated that 1,451,507 dollars were owing to the bank from four individuals, viz.: from J. & D. Hinsdale, $530,466 50: from W. C. Holly, $236,779 47: and from N. Dexter, and W. C. Holly, conjointly, $568,801 98.

The amount of debts, good, bad, and doubtful, due from all other persons to the bank, was then less than 200,000 dollars.

Governor Wolcott, in an address to the Legislature of Connecticut, in May, 1826, gave a picture of banking which deserves to be preserved. "Except," he said, "in limited districts of the United States, the condition of our circulating medium is not very dissimilar to that which has been established by arbitrary kings in the north of Europe, and especially by the autocrat of the Russian Empire. There, a bank has been created, and its notes constitute a circulating currency throughout his vast dominions. The credit which these notes obtain, is derived from revenues which are established by his sole authority. These revenues are not indeed paid in bank notes, but the demand for silver coin which the revenue establishes, imparts a forced, though precarious, value to the notes, which value is maintained and regulated by the reciprocating influences which are created between the supply and demand for paper and silver currencies. The effect is, that all property is subject to his will.

"With us the currency which is required by the daily exchange between all the people, and by which the transactions between farmers, mechanics, laborers, manufacturers, and traders is regulated, is almost exclusively in bank notes, which are issued by a great number of independent corporations, which possess an exclusive privilege of creating notes for their own benefit.

"This monopoly is here so exercised, that neither the amount of currency which is issued, nor the amount of that which is suddenly suspended, withdrawn, or annihilated, is subject to any practical limitation, other than what must arise from the state of foreign and domestic exchanges, the speculations of individuals, political events, and the necessities or caprices of the numerous monopolizing incorporations, which entirely control the circulation of the country.

"These last observations require no other confirmation than a reference to the notorious facts, that no coins circulate among the people, except small sums of copper, and the fractional parts of a dollar in silver, which is our silver unit. Our unit of gold is a coin of ten dollars, which, with its fractional parts, in coins of five dollars, and two and one-half dollars, have wholly vanished from circulation.

"The effects produced upon the people are, that no man can travel fifty miles in any direction, without receiving paper notes of which he possesses no means of ascertaining the value, or even the authenticity, and this difficulty increases in proportion to the distance of an individual from some one of these banks. From these causes, the whole country is subject to complex evils, arising from either a redundant or too restricted circulation of the only currency which can be obtained, and hence, sudden variations in the prices of all exchangeable commodities, far exceeding the customary profits of regular industry and commerce, thereby converting all transactions of business, especially at a distance from the seats of foreign commerce, into mere lotteries.

"It is amidst explosions of credit, principally occasioned by the conduct of banks, that every class of industrious citizens, and all our enterprising young men, are exposed to repeated losses, against which no vigilance can guard, and no prudence can exempt them.

"These distresses are inflicted upon the community, without any advantage being derived either to the State, to the stockholders, to the depositors of funds, or to the honest debtors to the banks. They are so frequent, so extensive, and embrace so many personal interests and connections, that it seems impossible to impute them, in many instances, to voluntary depravity. The inference must be, that our system of bank administration is essentially defective, and that to correct it, all interests ought to contribute their best councils and united efforts.

"There are fewer inducements at this time, why we should submit to the evils of a paper currency, than exist among other people on the globe. We are prosecuting an active commerce with states and nations where gold and silver are abundant, and are, indeed, staple articles of trade. With these countries, the intercourse of the people on both sides is founded on friendly and constant relations, both personal and political. Our fabrics of iron, wool, leather, wood, cotton, paper, and most other productions of our arts and industry, are as necessary to these countries, as a fair relative proportion of their metallic wealth has become essential to us.

"It is very consolatory to know, that the abuses of credit which are so prevalent, did not commence in this State, and that although we have yielded to temptations which we ought to have averted, our neighbors ought to correct their own conduct before they censure us.

"In my opinion, we ought to manifest our sincerity by immediately retracing the folds of the web in which we, in common with our neighbors, have become entangled. We can perceive that the issues of notes from the banks in this State have been annoying to the banks in Boston and New-York, while theirs, founded on no superior security, have been equally injurious to us. Both parties ought voluntarily to concur in permitting specie to circulate throughout the country, thereby rendering the capitals and credit which exist conducive to mutual advantage.

"The objections to the measure which I deem it my duty to recommend, will most probably be, that paper is a cheaper instrument of circulation than metallic money: and that the proposed restriction would diminish the dividend of banks, in which the State, the school fund, ecclesiastical societies, the colleges and academies, other incorporations, stockholders, and numerous individuals, are interested.

"But if all these objections were true in point of fact, they would form very inadequate reasons for inflicting *great, increasing, and remediless injuries upon all the people and the whole nation.* These evils have not proceeded from the *incorporations as such,* but merely because they have issued bills of credit, as substitutes for the general currency of gold and silver.

"If any principles are demonstrable by reason and experience, they are, that paper-money is an interruption to productive industry: that industry is the main source of wealth, and that whatever diminishes production is injurious to the lenders of capital.

"The stockholders of banks are only interested in having their capitals safely invested, in such a manner as to secure the payment of a regular interest equal to the use of the sums so advanced. It cannot promote their interest that all the capitals of this country, whether invested in stocks or other transferable property, or in exchangable commodities, should be constantly exposed to the hazards of rapid revolutions.

"In my opinion, banks which deal in circulating notes, and which are safely conducted, require a much more elaborate and expensive organization and system of detail, than such as deal wholly or principally in gold and silver. Honest men assume frightful responsibilities under the forms by which many of these institutions are now conducted, and their hazards increase in proportion to the number and variety of the notes which are received. Many counterfeited and altered notes are so skilfully prepared, as to defy the scrutiny of adepts: and no safeguards are provided to protect those who receive them from the most offensive accusations.

"The case is far different in respect to transactions in gold and silver: for by hydrostatic and other balances, which are cheap instruments, which have been known and used since the time of Archimedes, the purity and value of coins can at once be ascertained with unerring certainty."

The struggles of the New-England banks with one another, to decide which shall have the greatest share of the "circulation," inflict great evils on the community, in addition to those who are inflicted by general contractions and expansions of bank currency.—Sometimes a number of country banks form a coalition to extend their operations, and the city banks form alliances to resist them.—Sometimes some of the city banks enter into arrangements to aid the designs of the country banks, and sometimes these latter find efficient auxiliaries in the city brokers.—When a coalition succeeds in extending its issues of paper, certain districts, or certain classes of society, experience all the advantages, real or apparent, derivable from an increase of circulating medium. This continues till the counter-coalition succeeds in reducing the circulation of its rivals: and then follows a reaction, with "scarcity of money," and its usual concomitants of bankruptcies and public distress. A detail of the different measures of these combinations and counter combinations, and an account of their effects on the community at large, would be interesting, but would exceed our limits.

A writer in the Massachusetts Journal endeavored, in the fall of 1830, to show that the banking system of that commonwealth is the *worst* which could be devised; and recommended, as a substitute for it, a State bank and branches. His prominent objections to the present system are, "that it renders necessary about seventy banking institutions: that this number must every year be increased, as the Legislature cannot properly withhold charters from any who may apply for them: that the competition for business between these numerous establishments, gives to individuals a dangerous facility in obtaining loans, and creates a system of fictitious credits, which, having no base on real capital, must, at every pinch in the money market, explode, and bring ruin upon the banks

and their debtors. Other objections are, that the expenses of these various banks in salaries, rent, &c., amount to a very large sum, (in Boston alone to 120,000 dollars,) which expenses are a tax upon stock;" that the country banks are put to a great expense in redeeming their bills in Boston; "and that, after all, the notes of these banks form a currency of different and fluctuating value, instead of that steady and uniform currency which public convenience requires."

From accounts recently published, it appears that the number of banks in Massachusetts, in August, 1832, was eighty-three, having nominal capitals of the amount of $24,520,000; notes in circulation to the amount of $7,122,856, and specie on hand to the amount of $902,205 75. Of these banks, twenty-two were in the city of Boston. The greatest amount of specie in any one of the city banks was $127,131 43; the smallest was $2,415 41. The greatest amount of specie in any one of the sixty-three country banks, was $22,966 90; the smallest was $1,022 97.

Massachusetts was first in adopting the paper-money system; and she will probably be among the last to abandon it. Its ramifications there are so numerous, that nearly all the members of the community are compelled to give it either a willing or an unwilling support.

CHAPTER XVIII.

General View of Banking Operations from 1814–15 to 1820–21.

In the tables appended to Mr. Secretary Ingham's report on the gold coinage, the following is stated to have been the price of specie, at the dates and places below mentioned.

	Baltimore.	*Phil.*	*N. Y.*
1814.	pr. ct. adv.		
September	20		
October	15		
November	10		
December	14		
1815.			
January	20		15
February	5		2
March	5		5
April	10		5½
May	14	5	5
June	16	9	11
July	20	11	14
August	19	11	12½
September	20	15	13
October	21½	15	16
November	15	16	12
December	18	14	12½
1816.			
January	15	14	12½
February	13	14	9
March	18	12½	12½
April	23	14½	10½
May	20	14	12½
June	20	16	12
July	15	15	6½
August	12	10	5
September	10	7½	3
October	8	9½	2
November	9	7	1¾
December	9	7	2¼
1817.			
January	3	4½	2½
February	2½	4	2¾

From the rates of exchange on London, in New-York and Philadelphia, in the months in which there are blanks in the table, the price of specie appears then to have been a few per cent. less in Philadelphia than in Baltimore; and a few per cent. less in New-York than in Philadelphia.

In the appendix to the report of the committee of the Senate of Pennsylvania, the following table is given to show the *discount* on the notes of the country banks—not as estimated in specie, but as estimated in Philadelphia paper.

BANKS.	1816 May 6.	1816 Nov. 4.	1817 May 5.	1817 Nov. 3.	1818 May 4.	1818 Nov. 3.	1819 May 3.	1819 Nov. 1.	1820 Jan. 31.
Bank of Gettysburg,	10	9	6	3	4	3	3½	4	3
Harrisburg Bank,	pr	pr	6	5	4	pr	pr	½	1½
Carlisle Bank,	10	9	4	5	2½	3	3½	4	3
Bank of Chambersburg,	10	9	4	3	2½	3	3½	4	3
Westmoreland Bank,	10	9	6	5	2½	10	15	15	12¼
Lancaster Trading Company,	10	9	2	5	2½	3	3	2	2½
Marietta,	10	9	6	5	4	30	35	45	33
Centre Bank,	10	9	6	5	4	10	15	30	25
Farmers' Bank of Reading,	10	9	6	5	1½	2½	2½	15	8
Alleghany Bank,	10	9	6	5	4	10	15	50	50
Germantown,	10	9	6	5	4	pr	pr	pr	par
York,	9	10	6	3	2½	3	3½	4	3
Farmers' Bank of Lancaster,	10	9	6	5	4	pr	pr	pr	par
Swatara,	10	8	6	3½	2½	3	4	4	3
Easton Bank,	pr	pr	pr	5	4	pr	pr	pr	par
Penn. Agricul. & Manufac. Bank,	10	9	6	3½	2½	10	4		40
Bank of Washington,	10	9	6	5	4	10	15	50	45
Northampton Bank,	10	9	pr	5	4	10	pr	2½	2½
Juniata Bank,	10	9	6	5	4	10	15	50	40
Delaware Bank,	pr	pr	6	5	4	pr	pr	pr	par
Chester County Bank,	pr	pr	6	5	4	pr	pr	pr	par
Bank of Beaver,	10	9	6	5	4	10	15	60	50
Bank of Pittsburgh,	10	9	6	5	3	6	pr	5	4
Huntingdon Bank,	10	9	6	5	4	10	15	30	25
Monongahela,	10	9	6	5	4	10	15	15	12½
North Western Bank,	10	9	6	5	4	10	15	50	35
Union Bank,	10	9	6	5	4	50	60	50	50
North., Union & Columbia Bank,	10	9	6	5	4	2½	5	30	20
Bucks County Bank,	10	9	6	5	4		pr	pr	par
Farmers' & Mechs'. Bk. of Pitts.	10	9	6	3½	4	10		50	40
Farmers' & Mec. Bk. of Gr. Castle,	10	9	6	5	2½	10	30	50	35
Montgomery Bank,	pr	pr	pr	5	4		pr	pr	par
Silver Lake Bank,	10	9	6	2½	2½	2½	2½	50	40

In his speech of Jan. 2d, 1815, Mr. Webster said, "the depreciation of the notes of all the banks in any place is, as far as I can learn, general, uniform and equal." In looking through Grotjan's price current, we have found the quotations of Pennsylvania and Ohio notes to be, for months together, from five to six, and afterwards ten per cent. discount, and those of Virginia and North Carolina two to three per cent. So general seemed to be the rate of depreciation for each part of the country, that the names of particular banks were not given in the price current, for more than a year after the suspension of specie payments. While Philadelphia paper, the standard in which they were estimated, was always varying in value, as compared with silver, the notes of most of the country banks had, as compared with one another, a singular equality of depreciation.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, May 11, 1842. No. 23.

PRICES OF BANK NOTES.

We beg the reader not to suppose that the table which is found in this number, on pages 354–5, cost us as little trouble to prepare it, as it costs him to look at it. On that table, or rather on the tables from which it has been formed, many days' labor have been bestowed.

It has been compiled (with the exception of the column for 1841,) from various tables which were prepared by us, or under our direction, while we were in the Treasury Department. It is, however, well worth the labor that has been bestowed upon it: for, to those who will make a proper use of it, it will serve for a condensed history of the currency for more than a quarter of a century.

A few prominent facts should be borne in mind in perusing this table.

On the 30th of August, 1814, the Philadelphia banks suspended specie payments for *the first time*, and the other banks in the middle and southern states within a week or two of that date. The New Orleans Banks had suspended payment in the April previous; but the Banks of Kentucky and Ohio continued to pay specie till about the 1st of January, 1815: and the only bank then in Tennessee, did not suspend payment till July or August, 1815. Through the whole of this, the *first* general suspension of specie payments, the Banks of New England continued to pay specie, with the exception of a few banks in Maine that stopped payment early in 1814.

During the first suspension of specie payments, the notes of non-specie paying banks were received in payment of public dues.

On the 1st of January, 1817, the Bank of the United States commenced operations at Philadelphia. Of the effect it had in "regulating the currency," the reader can judge for himself. The table gives the prices of western and southern bank notes at Philadelphia, in that and each subsequent year.

On the 21st of February, 1817, the United States Government refused any longer to receive the notes of non-specie paying banks in payment of public dues.

In 1824, the system, known as the Suffolk Bank system, and which has been described in previous numbers of this Journal, was adopted in New England. The reader, on scanning the table, will not fail to be struck with the *uniformity* of value which the notes of the many hundred banks of the Eastern States have since maintained, and this whether the banks have sustained or suspended specie payments.

On the 11th of May, 1837, the New York and Natchez banks suspended specie payments: and as fast as the news spread from these two cities, east, west, north and south, the other banks suspended also. In this, the *second* general suspension of specie payments, the banks of New England were included.

In one year afterwards, or in May, 1838, the New York banks resumed specie payments, and their conduct was immediately followed by the banks of New England. These banks have since (with the exception of the banks of Rhode Island,) steadily maintained specie payments.

In August, 1838, the banks of Philadelphia professed to resume specie payments; and by the 1st of January, 1839, there was at least a *nominal* resumption of specie payments throughout the Union.

In a little more than a year, or on the 9th of October, 1839, the banks of Philadelphia suspended specie payments for the *third* time, and their example was quickly imitated by all the banks to the south and west, and also by the banks of West Jersey and Rhode Island. The Bank of Missouri did not, indeed, suspend payment on its own notes; but as it traded on the notes of other western banks, it became an issuer of inconvertible paper. The banks of Rhode Island soon resumed specie payments. The banks of South Carolina resumed specie payments in June or July, 1840. All the other banks to the south and west of New York, (with the exception of the East Jersey banks, and a few others scattered in different places) continued to refuse payment of specie on demand.

January 15th, 1841, the banks of Philadelphia resumed specie payments, and sustained them for about twenty days, or until the 4th of February. They then, for the *fourth* time, suspended specie payments; and did not resume them again till the 18th and 19th of March, 1842.

The tables we have given in different numbers of this Journal of the "Prices of Bank Notes and Specie," will enable any one who is so disposed, to prepare for himself a synopsis of the fluctuations in the prices of bank notes in the first part of the year 1842. Some may find the preparation of such a synopsis a very useful exercise.

In the first year of the existence of the North American Trust and Banking Company, offers were made to take stock in it to the amount of between twenty and thirty million dollars. Now its shares are worth nothing.

A Table showing the highest and lowest prices of bank notes at Phila-

In this table, *p.* stands for premium ; *d.* for discount:

Banks of—	1814.	1815.	1816.	1817.	1818.	1819.
Maine, - -	–	–	–	–	–	–
New Hampshire, -	–	–	–	–	–	–
Vermont, - -	–	–	–	–	–	–
Boston, - -	par a 20 p.	7 a 25 p.	5 a 17 p.	2 d. a 4 p.	par a 1½ d.	par a 2 d.
Other Massachusetts,	–	–	–	–	–	4 a 5 d.
Rhode Island, -	–	–	–	–	–	1 a 3 d.
Connecticut, -	–	–	–	–	–	2 a 3 d.
New York city, -	par a 2 p.	par a 6 p.	3 a 9½ p.	par a 3½ p.	par	par
New York country,	–	–	–	3 d.	2 a 4 d.	2½ a 6 d.
Philadelphia, -	standard.	standard.	standard.	standard.	standard.	standard.
Other Pennsylvania,	7½ d.	3 a 10 d.	4½ a 14 d.	par a 9 d.	par a 30 d.	par a 5 d.
New Jersey, -	–	–	par a 5 d.	par	par	par a 2 d.
Delaware, - -	1 a 4 d.	2 a 5 d.	3 a 9 d.	par a 10 d.	par a 30 d.	par
Baltimore, - -	3 a 5 d.	2 a 6½ d.	2½ a 7 d.	par a 4½ d.	par a 1½ d.	½ a 2½ d.
Other Maryland, -	–	–	3 a 10 d.	3 a 10 d.	2 a 30 d.	2 a 8 d.
District of Columbia,	–	–	4 a 10 d.	par a 6 d.	par a 2½ d.	1 a 3½ d.
Virginia, - -	5 a 10 d.	par a 8 d.	par a 6 p.	1 p. a 2 d.	par a 10 d.	1½ a 8 d.
Virginia, western -	–	–	–	–	–	8 a 12½ d.
North Carolina, -	5 a 10 d.	2½ p. a 8 d.	par a 6 p.	1 p. a 3 d.	1½ a 6 d.	3 a 17½ d.
South Carolina, -	5 a 10 d.	–	2 a 8 p.	2 d. a 4 p.	½ a 3 d.	1½ a 8 d.
Georgia, - -	5 a 10 d.	–	–	1 d.	1 a 4 d.	2 a 14 d.
Alabama, - -	–	–	–	–	–	–
Louisiana, - -	–	–	–	–	–	–
Mississippi, - -	–	–	–	–	–	–
Tennessee, - -	–	–	–	5 a 6 d.	4½ a 12½ d.	12½ a 20 d.
Kentucky, - -	–	–	6 a 10 d.	4½ a 6 d.	4½ a 10 d.	12½ a 25 d.
Ohio, - - -	5 a 7½ d.	3 a 10 d.	5 a 12 d.	4 a 15 d.	4½ a 12½ d.	15 a 30 d.
Michigan, - -	–	–	–	–	–	–
U. S. branch bank notes,	–	–	–	–	par a 1 d.	½ a 1 d.
American silver, -	7 a 12 p.	2 a 17 p.	7 a 17 p.	par a 5 p.	–	–

Banks of—	1828.	1829.	1830.	1831.	1832.	1833.
Maine, - -	1½ a 2 d.	1 a 1½ d.	1 a 1½ d.	½ a 1 d.	¾ a 1 d.	¾ a 1 d.
New Hampshire, -	1 a 2 d.	1 a 1½ d.	1 a 1½ d.	½ a ¾ d.	¾ a 1 d.	¾ a 1 d.
Vermont, - -	1 a 2 d.	1 a 1½ d.	1 a 1½ d.	½ a ¾ d.	¾ a 1 d.	¾ a 1 d.
Massachusetts, -	1 a 2 d.	1 a 1½ d.	1 a 1½ d.	½ a ¾ d.	¾ a 1 d.	¾ a 1 d.
Rhode Island, -	1 a 2 d.	1 a 1½ d.	1 a 1½ d.	½ a ¾ d.	¾ a 1 d.	¾ a 1 d.
Connecticut, -	1 a 2 d.	1 a 1½ d.	1 a 1½ d.	½ a ¾ d.	¾ a 1 d.	½ a 1 d.
New York city, -	par.	par.	par.	par a ½ d.	par a ½ d.	par a ½ d.
New York country,	1½ a 2¼ d.	1½ a 2½ d.	1½ d.	¾ a 1 d.	1 a 1½ d.	½ a 1½ d.
Philadelphia, -	standard.	standard.	standard.	standard.	standard.	standard.
Other Pennsylvania, -	par a 1 d.	par a 1 d.	par a 1 d.	par a 2 d.	par a 1½ d.	par a 2 d.
New Jersey, -	par a 1½ d.	par a 2 d.	par a 1½ d.	par a 1 d.	par a 1 d.	par a 2 d.
Delaware, - -	par a 1 d.	par.	par a ½ d.	par a ½ d.	par a 1 d.	par a ½ d.
Baltimore, - -	par a ¼ d.	¼ d.	¼ d.	par a ¼ d.	par a ¼ d.	¼ a ¾ d.
Other Maryland, -	¼ a 1¼ d.	½ a 1 d.	¾ d.	½ a 1 d.	½ a 1 d.	½ a 1½ d.
District of Columbia,	½ a 1 d.	½ a 1 d.	½ a ¾ d.	½ d.	½ a ¾ d.	½ a 1 d.
Virginia, - -	½ a 1½ d.	½ a 1 d.	½ a 1 d.	½ a 1 d.	¼ a 1 d.	½ a 1½ d.
Virginia, western -	3½ a 4 d.	3 a 3½ d.	2 a 2½ d.	1½ d.	1½ a 2½ d.	1¼ a 3 d.
North Carolina, -	4 a 12½ d.	2½ a 3½ d.	1½ a 2½ d.	1 a 2 d.	1½ a 2 d.	1¾ a 3 d.
South Carolina, -	1 a 2½ d.	1½ a 2 d.	1 a 1½ d.	¾ a 2 d.	1½ a 2 d.	1½ a 3 d.
Georgia, - -	2 a 4 d.	2 a 2½ d.	1½ a 2½ d.	1 a 3 d.	2½ a 10 d.	3½ a 10 d.
Florida, - -	–	–	–	10 d.	10 d.	10 a 20 d.
Alabama, - -	20 a 25 d.	10 a 15 d.	10 a 15 d.	5 a 15 d.	5 d.	4 a 10 d.
Louisiana, - -	4 a 6 d.	4 a 5 d.	4 d.	3 a 5 d.	4 a 5 d.	3 a 5 d.
Mississippi, - -	6 a 7 d.	5 a 6 d.	5 d.	5 d.	5 d.	5 a 6 d.
Tennessee, - -	9 a 10 d.	6 a 10 d.	7½ d.	5 a 7½ d.	5 d.	3 a 5 d.
Kentucky, - -	25 a 35 d.	25 a 35 d.	25 a 35 d.	20 a 35 d.	20 a 25 d.	3 a 25 d.
Missouri, - -	–	–	–	–	no sales.	no sales.
Illinois, - -	–	–	–	no sales.	no sales.	no sales.
Indiana, - -	–	–	–	no sales.	no sales.	no sales.
Ohio, - - -	3½ a 4 d.	2½ a 3½ d.	2½ a 3 d.	1½ a 3 d.	1½ a 3 d.	1¼ a 4 d.
Michigan, - -	3 d.	3 d.	2 a 3 d.	1½ a 2 d.	1½ d.	1½ a 2 d.
American silver, -	–	–	–	–	–	–

delphia, in each year, from October 31*st*, 1814, *to December* 31*st*, 1841.

a. is an abbreviation of the Latin *ad*, to.

1820.	1821.	1822.	1823.	1824.	1825.	1826.	1827.
4 d.	–	4 a 10 d.	10 d.	10 d.	2 a 10 d.	2½ d.	1½ a 2½ d.
2 a 4 d.	1 a 2 d.	2 a 3 d.	2 d.	1½ a 2 d.	1½ a 2½ d.	2½ d.	1 a 2½ d.
3 a 4 d.	3 d.	3 d.	3 d.	2 a 3 d.	2 a 2½ d.	2½ d.	1 a 2½ d.
1 a 4 d.	½ a 2 d.	½ a 3 d.	1 a 2 d.	1 a 2 d.	1 a 2½ d.	1 a 2½ d.	1 a 2½ d.
1 a 5 d.	½ a 2 d.	½ a 3 d.	1 a 2 d.	1 a 2 d.	1 a 2½ d.	1 a 2½ d.	1 a 2½ d.
1 a 4 d.	2 d.	2 d.	2 d.	1½ a 2 d.	1½ a 2½ d.	2 a 2½ d.	1 a 2 d.
1½ a 4 d.	½ a 2 d.	1 a 1½ d.	1 a 1½ d.	1 a 1½ d.	1½ a 2 d.	1½ a 2 d.	1 a 1½ d.
par.	par.	par.	par.	par.	par.	par.	par.
1 a 3 d.	1 a 6 d.	1 a 5 d.	1 a 5 d.	1 d.	1 a 5 d.	1½ a 5 d.	1 a 3 d.
standard.	standard.	standard.	standard.	standard.	standard.	standard.	standard.
par a 4 d.	par a 3 d.	par a 3 d.	par a 5 d.	par a 1½ d.	par a 1 d.	par.	par a 1 d.
par a 1 d.	par.	par a 1 d.	par a 1½ d.	par.	par.	par a 1½ d.	par a 2 d.
par.	par.	par.	par a 1 d.	par.	par.	par.	par a 1¼ d.
½ d.	½ d.	½ a ¾ d.	½ d.	½ d.	½ d.	¼ a ½ d.	par a ¼ d.
1½ a 3 d.	½ a 3 d.	1 a 1½ d.	½ 1½ d.	1 d.	1 d.	½ a 1 d.	¼ a ¾ d.
1 a 3 d.	–	½ a 1½ d.	1 a 1½ d.	1 a 1½ d.	¼ a 1 d.	½ a 1 d.	¼ a ½ d.
1 a 3 d.	¾ a 2 d.	1 a 3 d.	¾ a 2 d.	½ a ¾ d.	½ a 1 d.	½ a 1 d.	¼ a 1¼ d.
8 a 12½ d.	5 a 8 d.	5 d.	5 d.	4 a 5 d.	4 a 5 d.	4 a 5 d.	3 a 4½ d.
2¼ a 10 d.	2 a 4½ d.	2½ a 12½ d.	3 a 12½ d.	3½ a 5½ d.	3 a 5 d.	2½ a 5 d.	3 a 5½ d.
par a 6 d.	⅔ a 3 d.	1 a 5 d.	2 a 5 d.	1 a 3 d.	1 a 2½ d.	1½ a 2 d.	¾ a 1½ d.
1½ a 10 d.	1¼ a 5 d.	2½ a 9 d.	2 a 15 d.	2½ a 5 d.	2 a 4 d.	2¼ a 3½ d.	2 a 3 d.
–	–	–	–	–	–	10 a 15 d.	10 a 25 d.
–	–	1½ a 8 d.	3 a 7 d.	2 a 7 d.	2 a 5 d.	5 a 6 d.	4 a 5 d.
–	–	–	–	–	7 a 10 d.	6 a 10 d.	6d.
few sales.	35 d.	30 a 35 d.	35 d.	30 d.	15 a 20 d.	10 a 20 d	7 a 10 d.
12½ a 30 d.	30 a 50 d.	45 a 75 d.	70 d.	55 a 70 d.	45 a 55 d.	30 a 50 d.	30 a 40 d.
12½ a 25 d.	5 a 12½ d.	5 a 8 d.	5 a 6 d.	5 a 6 d.	5 a 8 d.	4 a 8 d.	4 a 6 d.
–	–	–	–	–	–	10 d.	3 a 10 d.
½ a 4 d.	½ a 2 d.	½ a 2 d.	¼ a ½ d.	par.	par.	par.	par.
–	–	–	–	–	–	–	–

1834.	1835.	1826.	1837.	1838.	1839.	1840.	1841.
1 a 1½ d.	1 d.	¾ a 1 d.	¾ a 1½ d.	par a 2½ d.	¾ d. a 3 p.	2¼ a 5 p.	½ d. a 5 p.
1 a 1½ d.	1 d.	¾ a 1 d.	¾ a 1½ d.	par a 2½ d.	¾ d. a 3 p.	2 a 5 p.	½ d. a 5 p.
1 a 1½ d.	1 d.	¾ a 1 d.	¾ a 1½ d.	par a 2½ d.	¾ d. a 5 p.	2 a 5 p.	½ d. a 5 p.
1 a 1½ d.	1 d.	¾ a 1 d.	¾ a 1¼ d.	par a 2½ d.	¾ d. a 7 p.	2 a 6 p.	½ d. a 5 p.
1 a 1½ d.	1 d.	¾ a 1 d.	¾ a 1¼ d.	par a 2½ d.	¾ d. a 6 p.	2 a 6 p.	½ d. a 5 p.
1 d.	1 d.	¾ a 1 d.	¾ a 3½ d.	par a 1¼ d.	¾ d. a 8 p.	2 a 6 p.	½ d. a 5 p.
par a ½ d.	par a ½ d.	par a ½ d.	par a 1¼ d.	par a 3 p.	par a 13 p.	2½ a 7 p.	¼ d. a 6 p.
1 a 3 d.	1 d.	1 a 1½ d.	par a 3½ d.	par a 3 p.	¾ d. a 10 p.	1 a 5 p.	2 d. a 6 p.
standard.	standard.	standard.	standard.	standard.	standard.	standard.	standard.
par a 1½ d.	par a 2 d.	par a 2½ d.	par a 3 d.	par a 3 d.	par a 3 d.	par a 3 d.	par a 1 d.
par a 1 d.	par a 1 d.	par a 1 d.	par a 2 d.	par a 2½ d.	1 d. a 6 p.	par a 5 p.	1 d. a 5½ p.
par a 1 d.	par a ½ d.	par a ¾ d.	par a ¾ d.	par.	par.	par.	par.
½ d.	¼ a ½ d.	¼ a ½ d.	¼ a 1 d.	¼ a 1½ d.	par a 1½ d.	par a 1 p.	par.
1¼ a 2 d.	¾ a 1 d.	½ a 1 d.	par a 2 d.	¼ a 3 d.	½ a 2 d.	par a ½ d.	par a 5 d.
1 a 3 d.	½ a 1 d.	½ a 1 d.	par a 3½ d.	⅝ a 2 d.	par a 1½ d.	¾ p. a 1 d.	par a 1 d.
1 a 3 d.	½ a 1 d.	½ a 1½ d.	½ a 3 d.	½ a 3½ d.	½ a 4 d.	par a 2 d.	par a 3 d.
1¾ a 11 d.	1 a 2 d.	1½ a 2½ d.	–	1½ a 4 d.	1½ a 5 d.	2 a 3 d.	2 a 8 d.
1 a 3 d.	2 d.	2 a 3 d.	2¼ a 6 d.	2 a 5 d.	1 a 6 d.	¾ a 3 d.	1 a 3 d.
2 a 7 d.	2 d.	2 a 3 d.	2½ a 10 d.	2½ a 10 d.	1 a 7 d.	2 d. a 3 p.	2. p. a 2 d.
4 a 7 d.	2 a 3 d.	2 a 3 d.	3 a 12 d.	3 a 10 d.	2½ a 10 d.	1½ a 30 d.	1 a 40 d.
no sales.	no sales.	no sales.	no sales.	no sales.	no sales.	no sales.	75 d.
7 a 10 d.	4 a 8 d.	3 a 7 d.	5 a 15 d.	5½ a 20 d.	2 a 15 d.	2 a 10 d.	5 a 10 d.
5 d.	2½ a 3 d.	2½ a 6 d.	5 a 15 d.	2½ a 12½ d.	par a 7 d.	¼ p. a 10 d.	1 a 6 d.
8 a 10 d.	4 a 5 d.	3 a 6 d.	6 a 20 d.	7½ a 30 d.	5 a 15 d.	15 a 80 d.	20 a 80 d.
5 d.	5 d.	3 a 6 d.	5 a 15 d.	5 a 20 d.	4 a 15 d.	5½ a 10 d.	6 a 15 d.
2 a 5 d.	2½ a 3 d.	2 a 3 d.	2½ a 8 d.	2¼ a 6½ d.	2½ a 5½ d.	3 a 5 d.	4 a 7 d.
–	no sales.	no sales.	no sales.	4 a 10 d.	4 a 6 d.	5 a 6 d.	5 a 7 d.
–	4 d.	3 a 5 d.	3 a 8 d.	2½ a 7 d.	2½ a 6½ d.	3 a 6 d.	3½ a 8 d.
5 d.	3 a 4 d.	3 a 3½ d.	3 a 8 d.	2 a 7 d.	2½ a 6½ d.	3 a 6 d.	3½ a 10 d.
2 a 4 d.	2½ a 3 d.	2 a 3 d.	3 a 6 d.	2½ a 6½ d.	2½ a 6 d.	3½ a 5 d.	3½ a 15 d.
2 a 2½ d.	2 d.	2 a 3 d.	2¼ a 15 d.	5 a 20 d.	5 a 10 d.	10 a 18 d.	10 a 18 d.
–	–	–	par a 12 p.	3 a 6 p.	par a 14 p.	2½ a 7 p.	– a 6½ p.

OUR CURRENCY.

Cast another glance at the table on pages 354 and 355, and if you are an American, blush for your country. It has the worst currency of any country in the world. Other countries have their paper money systems, but none so vascillating and multifarious as ours. In Russia, the paper currency is so depreciated that three paper roubles and a half are worth no more than one silver rouble. But the paper is fixed at this rate, and it has one value throughout the empire. In Buenos Ayres, twenty paper dollars are worth no more than one silver dollar; but there is but one kind of paper money in circulation in that republic.

Here is an exhibit of the state of our currency, not for two or three years, but for more than twenty-six years, and under the presidencies of Madison, Monroe, Adams, Jackson, Van Buren, Harrison, and Tyler, and under the operations of the old State Bank system, the National Bank system, and "the Pet Bank" system. Every man of sense will admit that as one people, we ought to have a common standard and common measures of value throughout the Union; and that the standard and the measures of value when once correctly fixed ought never be changed. This was what the framers of the Constitution intended, when they prohibited the States from issuing bills of credit, and gave to Congress the exclusive power of coining money. But through the establishment of paper money banks, these wise intentions have been completely frustrated.

THE PANIC OF 1825.

In the latter part of this number, pages 366–8 will be found some of the particulars of the panic of 1825. The effects were very serious in this country, but were trifling in comparison with what was suffered in England.

In consequence of the measures taken for the resumption of specie payments, there was a great influx of gold into Great Britain between the years 1820 and 1823. Encouraged by the prosperous appearance of things, the Bank of England, in 1824, reduced its rate of discount from 5 to 4 per cent. An increase of medium was made about the same time by the country banks. The natural consequence was that the country *appeared* to enjoy unexampled prosperity. "Silver is with us," said one writer, "as in the days of Solomon, counted nothing of." This artificial plenty of money showed itself first in a rise of Government Stocks, both British and Foreign, and then in the price of land, which advanced to forty or fifty years' purchase. It led also to the formation of two hundred and seventy-six joint stock companies, requiring capitals to the amount of 174 million pounds sterling, or about 850 million dollars.

In February, 1825, stocks were raised so high, that there was no prospect of a further rise. A transfer of funds then took place from the Stock to the Commercial Exchange. And so great was the rage for speculating in colonial produce, that, on one day, four or five hundred merchants forgot or disregarded the hour of closing the London Exchange, and were locked up in it, from a quarter past four till half past five o'clock, when, on their earnest entreaty, they were released. Transactions were on the scale of the largest magnitude: and the same parcels of goods changed hands a dozen times, leaving large profits to the several purchasers.

In May, the Directors of the Bank of England, finding the exchanges turned against the country, deemed it expedient to reduce the amount of notes in circulation. The first effect of this measure was to check the rage for new joint stock companies. The next was to produce a scarcity of money among merchants. This was sensibly felt in August, and continued to increase daily. In November some of the principal city bankers failed, and their bankruptcy was followed by that of many of the country bankers. Distress pervaded all classes.

On the 12th and 13th of December, the difficulties in the money market of London, reached their height. Speaking of these two days, Mr. Huskisson said, "That during forty-eight hours, it was impossible to convert into money to any extent, the best securities of the Government. If the difficulties had lasted for only forty-eight hours longer, he believed the effect would have been to put a stop to all transactions between man and man."

On Wednesday, December 14th, the Directors of the Bank began to increase its issues. Mr. Joplin says, "The only consideration appeared to be how they could issue fast enough. The sovereigns they gave out by weight to save counting, and the notes as fast as they could be counted, until, in a few days, they had neither a sovereign nor a note left. On Saturday night they could not give any kind of exchange for fifteen of their one thousand pound notes, nor could change be had for them in Lombard street. The amount of the increase of their notes, according to a return furnished to Parliament, was as follows:

Nov. 19, 1825,	they had	£	17,594,301	in circulation.
Dec. 3,	"	"	17,477,294	"
" 17,	"	"	23,942,827	"
" 24,	"	"	25,709,425	"
Feb. 22,	"	"	24,399,080	"

"This does not give the issues of gold, which are still unknown; but which could not have been less than four millions. Neither does it give the increase of issues which took place during the week of the panic. But it is not probable that the total amount of issues was much greater, either on the 10th of December, (the Saturday before,) or on Tuesday, the day before they altered their course of proceeding. If so, it makes the increased issues of notes in the week of the panic *six* millions [equal to twenty-nine million dollars,] the chief part of which took place in the last *four* days; and in the week following, the further increase was two millions, being eight millions in all, [more than 38 million dollars.] To this adding four millions of gold, make a total increase of twelve millions,"—equal to fifty-eight million dollars.

This certainly exhibits wonderful powers of expansion in a bank. It was a bold operation which prevented a general bankruptcy in Europe and America. Mr. Huskisson said that "of this panic no man could tell what might have been the consequence, if the Bank had not stepped in, and by its timely and liberal interference, saved the country from destruction." Mr. Hume very correctly observed in reply, "That he must enter his protest against the praises which had been heaped on the Bank of England. It appeared to him, just as if an incendiary were to be praised, because, after he had kindled the flame, he endeavored to put it out."

It is well worthy of remark, that the reduction in the circulation of the Bank of England, between March and November, did not exceed three millions and a half. This was sufficient to produce a pressure for money, not only in England and the United States, but in France and in Holland, at the Cape of Good Hope, and at Calcutta. England being the regulating country of the commercial world, produces confusion every where, when her own affairs are in disorder. The circulation of the Bank of France was, between May and November, reduced from 237 to 189 million francs, or upwards of *twenty* per cent. and the reduction of the amount of loans was still more considerable. The Bank of Holland which has been established in the place of the old Bank of Amsterdam, issues no notes of a less denomination than eight dollars. But, being a credit bank, it is of course within the influence of that galvanic sympathy by which paper money banks in all parts of the world are affected. A demand for specie on any one of them, operates with the power of a lever; and when this demand is great on the Bank of England, all the others are forced to reduce their circulation.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. XI.

Monday. A member of Congress, an old friend, called on me on his way "down east." Asked him why he and his fellow-members could not agree on some *fiscality.* Member said that, to tell the whole truth, nothing would satisfy them except something they could *borrow* from. Replied to Member, that he and his fellow Congressmen were undoubtedly right in this. Nothing could be plainer than that our government had been established for the exclusive benefit of schemers and speculators. Every page in our statute books establishes this. And for this, no doubt, it was that our fathers fought and bled in the Revolutionary war. Then went on to explain to Member, how easy it would be to borrow to any desirable extent, under *any* fiscality that had yet been proposed. If the fiscality *sold* exchange, it would be under the necessity of *buying* exchange in order to balance accounts. Then Members could dispose of bills to very great advantage, on West Quoddy Head, Bung-town, Michilimackinack, or any where else within the world's wide bounds. Member took me in his arms in an ecstacy, and declared I was "the greatest man living, except Nicholas Biddle." Did not thank Member for "the except." Every dog has his day; and Nicholas Biddle has had a very long day. It is now quite time for Deacon Graball to take his turn on the step ladder of immortality.

Tuesday. Member returned to-day to have further conversation with me. Was quite satisfied that any fiscality would afford members of Congress sufficient opportunities for borrowing, but something must be done "to make money plenty," in order to satisfy "the dear people." Broached to Member *my* plan of converting *all* the capital of the country into credit, and all the credit into currency. As, according to the late census, the wealth of the nation is not less than 3,700,000,000 dollars, this would increase our money thirty-fold; in other words, for every dollar we now have, we should then have thirty. Hoped this would satisfy "the dear people." Member said if it did not, "the dear people" must be very unreasonable. The Continental Money issues amounted in the aggregate to only 360,000,000, or less than one-tenth as much as I proposed to emit. Told Member that the avidity of some men for money was so great that I feared that even this would not satisfy them.

Wednesday. Member returned to know if I had any further "improvements in the currency" to suggest. Told Member I had one more, and that of great importance. It was to dispense *entirely* with gold and silver. All Political Economists agree in declaring that the different portions of the currency ought to be *homogeneous.* But what can be more *heterogeneous* than our present currency, part copper, part silver, part gold, and part paper? The wise Chinese saw the folly of this, and when they established *their* paper money, prohibited the use of metallic. So also did the French in one period of John Law's *régime.* Compulsory provisions, however, suit not our age and nation. Nor would they be necessary. Only give permission to issue notes for small denominations as low down as one cent, and such notes would be as effective in driving silver change and even copper out of circulation, as ten dollar notes now are in displacing eagles, and dollar notes in displacing dollars.

And where would be the great harm of this? Even according to the showing of the Loco-Focos themselves, gold and silver are in our present system merely a *subsidiary* currency. If paper is good enough for our *principal* currency, why should it not be good enough for our *subsidiary* also? If bank notes are the best kind of currency in transactions amounting to ten thousand dollars, why should we object to their use in transactions of the amount of ten cents?

There is, to be sure, another use of specie under the present system, and that is in paying balances due by one part of the country to another, and to foreign nations. But every experienced banker knows that there are other ways of settling balances than by paying specie. At the Clearing House, where the bankers of London meet daily to settle their accounts, not an ounce

of specie ever makes its appearance; and balances, amounting in the aggregate to millions, are discharged by the intervention of a few hundred thousand pounds in Bank of England notes. And so might we do in this country, settle balances by exchanging one evidence of debt for another.

Thursday. Member back again. My plan for settling domestic balances, was, he observed, admirable: but how would I adjust foreign balances, without the intervention of specie? Told Member that nothing was easier in the world. Only let Government, said I, draw bills on London for the amount of such balances, and take them up by selling United States Stocks in Europe. What is Government good for, if it cannot do this little for the banks?*

Member said he would withdraw "the except" he had made a day or two ago. I was a greater man than Nicholas. I had devised a plan by which the use of gold and silver, and even copper, might be entirely dispensed with. I had given a death blow to the "specie humbug."

Told Member I was herein only following the advice of Doctor Franklin. "I say," says the Doctor, in his essay on the Corn Laws, "I say, when you are *sure* you have got a good principle, *stick* to it and carry it through." Now I am *sure* that I have got hold of a good principle in the paper money principle; and I am for carrying it through consistently.

POETRY.

The French verses which follow, are from a book published at Amsterdam in the year 1743. For the "Imitation" of them, we are indebted to an English journal.

ACTIONS DE PARIS.

Lundi, j'achetai des Actions
Mardi, j'avois des millions,
Mercredi, j'établis mon ménage,
Jeudi, je fis mon équipage,
Le Vendredi, je fus au bal,
Et Samedi, á l'Hopital.

STOCK JOBBING.

(*The above imitated.*)

On Monday, as Jobber, time bargains began;
On Tuesday, scor'd thousands by this easy plan.
On Wednesday, established my household quite grand;
On Thursday, my chariot I drove through the Strand.
On Friday, superb, I danced at a ball,
Was gay in quadrilles, and envied by all;
On Saturday noon, came ruin complete,
I was tapp'd on the shoulder, and lodged in the Fleet.

* The Deacon is not quite original in this. This mode of settling foreign balances, was brought forward, on a particular emergency, a few years ago, by the President of a Bank in Philadelphia county, the very oracle of his neighborhood. It was also supported at some length in a pamphlet published many years since, by one of the SMITHS, we believe by the celebrated DENNIS A. SMITH. We do not accuse the Deacon of plagiarism. We only mention these *coincidences* to show "how great wits jump together."

RESUMPTION OF SPECIE PAYMENTS.

The Banks of Maryland resumed on the 3d of May. Those of Kentucky and Indiana have resolved to resume on the 15th of June. The Bank of Illinois, at Shawneetown, is, it is said, making preparations to resume on the same day. The banks of Virginia are required by law to resume on the 1st of November, but are inducing the people to believe that they will anticipate the day fixed on by the Legislature. The Banks of North Carolina have, it is reported, resumed already. The Banks of Louisiana are required by law to resume on the 1st of December. The Miners' Bank at Dubuque, Iowa, is about resuming.

Georgia, Tennessee, and Alabama, appear to be the only States in "the suspended district," the banks of which have any semblance of strength left, which are not engaged in this resumption movement. The banks of Arkansas, Mississippi, Florida, and Wiskonsan, appear to be too much shattered even to make the attempt.

In Pennsylvania, "the Act of Assembly" to the contrary notwithstanding, none of the banks have resumed specie payments, except those of the cities of Pittsburg and Philadelphia, and those of the few counties nearest to Philadelphia, namely, Delaware, Chester, Montgomery, and Bucks. [Perhaps the Bank of Middleton, lately removed to Harrisburg, should be excepted.] The notes of the Farmers' Bank of Reading, only 50 miles from Philadelphia, are at 12½ to 20 per cent. discount: and those of the different banks in the city of Lancaster, (only sixty miles distant,) are at 10 to 20 per cent. discount.

Our currency, taking the State throughout, is in a much worse condition than it was before the meeting of the Legislature. The reason for this is to be found in the fact, that the resumption was made on *wrong* principles. The first measure should have been the withdrawing of "the relief notes" from circulation. The next should have been a prohibition to the banks to make any *new* loans, discounts, or dividends, while they were in a state of suspension. These measures would have brought about "a resumption" without a *convulsion*, and millions of dollars which are now irretrievably lost, would have been saved by the citizens of the State.

OHIO.

A meeting has been held in a tavern somewhere in this State, "by a number of gentlemen, members of the Democratic party," in which the hard money men have been denounced as a *faction.*

This has not deterred a number of citizens of Litchfield, Medina County, from entering into an agreement not to receive or pay any thing but hard money.

Perhaps it will ultimately be found that it will be only by the action of the people themselves that the paper money evil can be put an end to. Judging from past experience, little is to be hoped for from the action of Congress, or that of the State Legislatures.

VIRGINIA.

The last number of the Farmers' Register, published at Petersburg, contains a very interesting article from the pen of the editor, on the subject of the banks of Virginia.

From it we learn that *fifty-five* members of the last General Assembly of Virginia were in debt to the banks in the gross sum of $111,675.

That the bank directors (so far as reported, and the reports are not complete) were indebted to the banks as principals and indorsers, individually or as members of commercial firms, $2,321,080, or nearly one-fourth of all the capital of all the banks in the State.

That very few of the directors have any interest in the banks as stockholders, beyond the exact amount that the law *requires* them to own, to make them eligible to the appointment. This is five shares.

That the cost of all the banking houses in Virginia amounts to $495,495.

That the salaries of all the officers of the banks of Virginia, amounts to more than $200,000 a year, or nearly as much as would have paid the legitimate and proper expenses of the civil government of the commonwealth, before it was involved in banking and in debt.

The editor of the Register is of opinion that there will be no *real* resumption in Virginia.—"The branch bank system, (which alone would serve to render any bank irresponsible and therefore corrupt and dishonest) of itself will suffice to protect the banks from paying any thing worth notice for a month, or for several months. And within one month the Legislature will be in session, and ready to grant any relief to the banks and continued indulgence to the suspension."

In some portions of the western part of Virginia, things would, from the following extract from the Morgantown Republican, appear to be in a deplorable condition.

"We are told that in the adjoining county of Harrison, the Deputy Sheriffs have thrown up, and given notice to the High Sheriff that they will no longer act, and that in the lower end of the same county, the people met to the number of four hundred or more, and passed resolutions that during the present state of affairs, they would resist the collection of all debts by the officers of the law. They entered into an agreement to chastise and ride upon a rail any man who would attend a sale of executed property for the purpose of bidding for it, and a number of other resolutions of the same import and bearing."

GEORGIA.

"We seriously apprehend a general suspension of the Law in the Western part of Georgia. The Sheriff sloped and prevented a court in Murray; in Gilmer the Sheriff failed to raise money and went off to avoid a rule. We doubt whether there will be a court in Walker or Floyd. There is a large majority of suspension men in the Cherokee country, and they will elect a Sheriff who will perjure himself for the purpose of disappointing the courts."—*Georgia paper.*

"THE LUMBER BUSINESS."

Mr. Sharswood, the chairman of the committee of the Legislature, refused, with great propriety, to give up the letters which are supposed to contain evidence of the bribery and corruption used by the banks or their agents in 1840. And Judge Barton has discharged George Handy, D. M. Brodhead, and Joseph Solms, declaring that there was no evidence which would justify their being held longer under arrest.

THE UNITED STATES BANK.

As was expected, Nicholas Biddle, John Andrews, and Joseph Cowperthwaite (accused of a conspiracy to defraud the stockholders of the U. S. Bank) have been discharged by the Court of General Sessions. Judge Doran dissented herein, from the opinion of his colleagues, Judges Barton and Conrad.

FLUCTUATION.

The Pittsburg Mercury of May 4th, says, "last week many persons sold Indiana money for notes of the Merchants' Bank of Wheeling at a loss of ten per cent. This week they would be glad to sell the Wheeling bank notes for Indiana money at a loss of 15 per cent."

THE STOCK MARKET.

There has been a flare up in the stock market. Pennsylvania fives, which on the 4th of April, sunk to 33, afterwards rose to 50½, then sunk to 39, and after considerable fluctuations, are now at about 45. Most other stocks have also risen.

SPECIE AND COINAGE.

The imports of specie into the United States in the year ending September 30th, 1841, amounted to $4,908,408; and the exports to $10,020,044. Excess of exports $5,111,636.

The imports of specie in twenty-one years, from 1821 to 1841, inclusive, have amounted to $181,-522,349: and the exports to $137,792,097. Excess of imports $43,730,252.

For the imports and exports in each year from 1821 to 1840, see page 196 of this Journal.

The United States Mint was established in 1793. From that time till Dec. 31st, 1841, the number of pieces coined at it and its branches amounted to upwards of 250 millions (257,864,336.) Their value was upwards of 86 million dollars (86,331,408 67.)

Pieces of Gold coined at Mint and Branches, 6,099,804: Value, $29,182,720. Pieces of Silver, 154,893,789: Value, $56,217,184 90. Pieces of Copper, 96,870,743: Value, $931,503 86.

The condition of that State is deplorable, in which the people, lose confidence in their Legislative, Judicial and Executive authorities. Yet such is the present condition of Pennsylvania; if the sentiments of the inhabitants of the rest of the State are to judged of by those of the citizens of Philadelphia. The general belief here seems to be that the banking interest exercises an improper influence in all the departments of Government.

BANK DEFAULTS.

The affairs of the Pascoag (R. I.) Bank, alluded to in our last, have been examined by Commissioners, and the deficiency is found to be 12,000 dollars.

The following paragraph we copy from the Public Ledger of this city, under date of May 4th.

"A number of defalcations have taken place in Georgia, which have not yet been made public. The persons charged are officers in the Augusta Insurance and Banking Company, the Augusta Branch of the State Bank, the Georgia Insurance and Trust Company, and two of the Savannah Banks. One of the defalcations is said to be for a large sum. It is said, too, that Levi Eckley, of Macon, a man of high standing as a merchant, and formerly a member of the State Senate, has absconded, under the charge of forgery to a very large amount; and that I. G. Seymour, President of the Branch Bank of the State, and formerly Mayor of that city, absconded some time ago, under the charge of embezzling a large sum of the money of the Bank, which he had but very recently sworn to be safe in its vaults. The money was supposed to have been long used in speculation."

BANK FAILURES.

The Real Estate Bank of Arkansas, has made an assignment. It had five branches and a nominal capital of $1,530,000, or, counting certain State bonds unsold in Nov. 1840, (the date of the last return we have seen) $2,030,000. The only remaining bank in Arkansas, is the Bank of the State. It has three branches, and had in October, 1840, a nominal capital of $1,502,760. It is believed that it also, must soon go into liquidation.

THE FOREIGN NEWS.

Paper money banks are breaking in Great Britain as well as in the United States. Among those that have recently exploded, are a bank at Brighton, and the bank of Renfrewshire. The former was, till lately, regarded as one of the most substantial of the country banks. The latter will pay so small a dividend as would almost disgrace a bank in Mississippi or Michigan. The system is the same in *essentials* in England and America.

Owing to an influx of the precious metals into England, the Bank of England has reduced the rate of discount from 5 to 4 per cent. This, under ordinary circumstances, would cause *an expansion* in the United States. Under present circumstances, it will alleviate the evils produced by the folly of Bank Directors, and members of State Legislatures.

ACKNOWLEDGEMENTS.

Our thanks are due to gentlemen at Spring Hill, and Columbia, Tennessee, and other places, for additions to our list of subscribers.

To the Hon. J. C. Calhoun of the U. S. Senate, to the Hon. C. G. Atherton and B. G. Shields of the U. S. House of Representatives, and to S. Yorke At Lee, Esq., of Detroit, Michigan, we are indebted for valuable papers.

Saturday, May 7, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	⅜ a ½ dis.	1 a — dis.
New Hampshire	⅜ a ½ dis.	1 a — dis.
Vermont	— a ½ dis.	1 a — dis.
Massachusetts	⅜ a ½ dis.	1 dis.
Rhode Island	⅜ a ½ dis.	1 dis.
Connecticut	⅜ a ½ dis.	1 dis.
New York City	Standard.	½ a — dis.
New York State	par a 1 dis.	1 a 4 dis.
East Jersey	— a ½ dis.	1 a — dis.
West Jersey	1 a 5 dis.	Par a 3 dis.
Philadelphia	— a ⅜ dis.	Standard.
Pennsylvania, East	— a — dis.	Par a 15 dis.
" West	— a — dis.	5 a 25 dis.
Delaware	— a ½ dis.	Par.
Baltimore	½ a — dis.	¼ dis.
Maryland	— a 5 dis.	Par a 5 dis.
District of Columbia	— a 1 dis.	1½ dis.
Virginia	— a 9 dis.	8 a 9 dis.
" West	15 a 20 dis.	15 a 25 dis.
North Carolina	— a 6 dis.	6 a 6½ dis.
South Carolina	— a 3 & 4 dis.	3½ a 4 dis.
Georgia	— a 5 dis.	4 a 40 dis.
Alabama	— a — dis.	22 a 25 dis.
Louisiana	10 a 25 dis.	3½ a 15 dis.
Mississippi	— a — dis.	— a — dis.
Tennessee	— a 25 dis.	18 a 20 dis.
Kentucky	— a 10 dis.	8 a 10 dis.
Missouri		10 dis.
Illinois	— a 50 dis.	50 a — dis.
Indiana	— a 15 dis.	25 a — dis.
Ohio	— a 10&15dis.	10 a 15 dis.
Michigan	— a 10&20dis.	10 a 18 dis.
American Gold, (new coinage).	Par a —	par a —
Sovereigns	4.85 a ——	4.85 a ——
Heavy Guineas	5.00 a 5.05	5.00 a 5.05
Spanish Doubloons	16.25 a 16.50	16.25 a 16.50
Patriot Doubloons	15.60 a 15.80	15.60 a 15.80
Spanish Dollars	2 a 4 pr.	2 a 3 pr.
Mexican Dollars	par.	par
Five Franc Pieces	— a 93 cents	93 a ——
Half Dollars	Par.	par
BILLS OF EXCHANGE ON		
London	7½ a 7¾ pr.	6 a 7¾ pr.
France	5.32½ a 5.35	5.36 a 5.37½
Holland	39¼ a —	38¾ a 39
Hamburg	35 a —	35½ a ——
Bremen	75½ a —	75½ a 75¾
Boston	Par a ¼ dis.	⅛ a ½ dis.
New York		par a ¼ dis.
Philadelphia	par a ⅛ dis.	
Baltimore	⅛ a ¼ dis.	¼ a ⅜ dis.
Richmond	7 a 7½ dis.	8 a — dis.
North Carolina	4 a 4½ dis.	
Charleston	1½ a 1¾ dis.	3½ a — dis.
Savannah	2¼ a 2½ dis.	6 a — dis.
Augusta	2½ a 2¾ dis.	
Columbus	nominal	
Macon	18 a 20 dis.	
Mobile	16½ a 17 dis.	18 a 20 dis.
New Orleans	6½ a 7 dis.	8 a — dis.
Natchez	nominal	no sale.
Nashville	13 a 15 dis.	18 a 20 dis.
St. Louis	9 a 9½ dis.	
Louisville	6½ a 7 dis.	7½ a — dis.
Cincinnati	9½ a 10 dis.	8 a — dis.
Michigan	nominal.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	5½ a 10½	8 a 9¼
Mobile	5½ a 10½	8 a 9¼
Upland	5¼ a 9¼	6 a 9¼
Flour, Western Canal, per bbl.	5.93¾ a 6.06¼	5.75 a 5.87½
Philadelphia	—— a 5.87½	5.75 a 6.00
Rye Flour	3.37½ a 3.50	3.50 a 3.62½
Indian Meal	—— a 3.12½	2.62½ a 2.87½
Grain—Wheat, per bush	1.22 a 1.24	1.25 a 1.32
Rye	65 a 66	63 a 68
Corn	58 a 66	53 a 62
Oats	34 a 46	— a 42
Iron, Amer., Pig, No. 1, per ton	26.50 a 31.50	26.00 a 31.00
Bar rolled	75.00 a ——	80.00 a 85.00
Lead, Pig, per lb.	3¼ a 3½	3⅜ a 3½
Tobacco, Richmond, per lb.	2½ a 6	3 a 6½
North Carolina	2½ a 5	
Kentucky	3 a 6½	2½ a 6½
Wool, American, Merino, per lb.	31 a 33	32 a 35
Common	18 a 20	27 a 30
Whiskey, Rye, per gal.	17 a 19	17 a 18
Provisions, Mess Beef, per bbl.	7.25 a 8.00	7.50 a 8.00
Mess Pork, per bbl.	7.50 a 9	7.50 a 8.00
Hams, per lb.	6½ a 7½	4 a 8½
Lard, per lb.	5¾ a 7	5 a 7
Cheese, per lb.	8½ a 9½	9 a 10½
Rice, per lb.	2⅝ a 3¼	3 a 3½

This equality lasted for some time after it became the custom to give regular quotations of the prices of bank paper. It will be seen, by inspecting the table, that in May, 1816, the notes of twenty-seven out of thirty-five country banks of Pennsylvania, were at a discount of ten per cent. It will also be seen that the discount was diminished with a regularity approximating to uniformity, up to May, 1818. In the succeeding July, the United States Bank commenced its curtailment: and then the great confusion in exchanges began.

In other States the confusion was as great as it was in Pennsylvania. This may be seen by the following table.

PRICES OF BANK NOTES,

	At New-York, April 7th, 1819.	*At Baltimore, August 7th,* 1819.
New-England notes,	par to 2 per ct. dis.	1 to 6 dis.
Philadelphia,	par	
Pennsylvania,		1 to 60
Delaware,	4 to 12½	1 to 8 and 50.
Baltimore,	1½	
Maryland,	2 to 20	1 to 40
District of Columbia,		1 to 60
Virginia,	2	1½ to 25
North Carolina,	2 to 3½	20 to 25
South Carolina,	1½	8 to 10
Georgia,	2 to 3	7 to 8
Tennessee,	7	
Kentucky,		15 to 25
Bank of Kentucky,	5	
Ohio Banks,	6 to 15	10 to 50
Uncharted Bank of Ohio,	25 to 75	
Louisiana,	6	
Indiana, Illinois, and Missouri,		15 to 60

Mr. Niles, from whom we have taken the items which form this table, says the prices of bank notes varied several per cent. in the course of a week. The notes which were at par in one part of the country, were in other parts at a heavy discount. At the same time that exchange at New-Orleans on New-York was at from seven to ten per cent. discount, exchange at New-York on New-Orleans was at six per cent. discount. A bank's paying specie did not prevent its notes depreciating: for nobody knew how long any distant bank would continue to pay specie. All the banks whose notes were at a discount at New-York of less than 5 per cent., and some of the others, were understood to pay specie on demand.

Of the increase and decrease of the local currency of Pennsylvania, the reader may form an idea from the following table.

NOTES IN CIRCULATION.*

	City Banks.	Country.	Total.
Nov. 1814, .	3,363,802	1,942,479	5,306,281
1815, .	4,810,507	5,349,247	10,159,754
1816, .	3,416,248	4,787,722	8,203,970
1817, .	2,355,694	3,853,866	6,209,560
1818, .	1,987,945	3,093,966	5,081,911
1819, .	1,645,000	1,384,325	3,029,325

It will be seen that the great increase in circulation took place in the year after the war. Great as it was we ought not to wonder at it. The receipt by government of inconvertible paper in payment of duties, was quite as efficient a sanction of the continued suspension of specie payments as could have been afforded by an act of Congress passed with that express intent. What government is willing to receive, individuals having payments to make to government will not refuse. Institutions which are founded for private profit, must always be expected to take advantage of so many opportunities of acquiring gain as the policy of government will allow, or its necessities compel it to afford.

In the year 1815, ten months and a half of which were months of peace, the government issued twenty millions in treasury notes. As such of these as were of a less denomination than one hundred dollars bore no interest, they directly increased the amount of paper medium. The others, as has been shown in another chapter, indirectly increased the circulation of the banks, as those institutions gave their own inconvertible notes in exchange for treasury notes.

In 1816 there was a reduction of about twenty-five per cent. in the circulation of the banks of Pennsylvania, and a very great reduction in the circulation of the banks of the adjoining States. Of the manner in which this was effected, we will let the Secretary of the Treasury speak.

"At a moment," he says, "when excessive importations of foreign merchandise had involved the mercantile and manufacturing interests in the greatest distress, and menaced them with impending bankruptcy, reason, humanity, and sound policy, all united against the curtailment of bank discounts. Yet, so far as the knowledge of the Secretary of the Treasury extends, the reduction of the circulating paper has in no instance been attempted by the sale of the public debt held

* The returns of the Farmers' and Mechanics' Bank, in 1841, were for August 2d: those of the Pennsylvania Bank, for August 30, and those of the Philadelphia Bank for September 1st. The returns of the other banks were for November. No return was made in any of these years of the circulation of the Bank of North America.

by the banks. Curtailment of discounts has been the only process resorted to by them, where any efforts have been made to prepare for the resumption of specie payments. The disregard to individual suffering, manifested by this procedure in the State banks, has been the result of a conviction, that when the national currency shall be restored by the efforts of the government and the Bank of the United States, the public debt will be increased in value."*

This is true. But when we establish institutions to which it is impossible to impart moral responsibility, we ought not to expect them to pay much regard to "reason and humanity." The banks acted with sound "policy" in regard to their own interest, in pressing on the community and in holding on to the public stocks.

In 1817, there was a further reduction in the circulation of the Pennsylvania banks, but the deficiency was supplied by the issues made by the United States Bank. The returns of the Pennsylvania banks, for 1818, were made some months after the Bank of the United States had begun its grand curtailment.

The local bank mania may be said to have raged with more violence in Pennsylvania in the year 1815, than at any other period: but, if we take the Union throughout, the mania did not reach its height till the spring of 1818, or three years after the close of the war. It was in this year that Vermont, which had been without banks since the grand New-England explosion of 1808-9, began to revive the system; and the passion for multiplying paper-issuing institutions became so great, that Mr. Niles was forced to exclaim—"We see every where new banks establishing or attempting to be established. Behold forty-three new banks authorized in Kentucky—half a score in Tennessee—eight in Ohio—a mob in little Rhode Island—some in Virginia, Massachusetts, &c.—sixteen petitioned for in New-York—and some wanted in Pennsylvania—half a dozen new ones in Maryland—and from fifty to a hundred more proposed in various parts of the United States."†

Only three months after Mr. Niles had indited this paragraph, the United States Bank was compelled to commence that course of measures, the effects of which have been narrated in our previous chapters.

The author of the pamphlet signed "A Friendly Monitor," says, "Every inquiry I have made has entirely convinced me, that every formidable difficulty with which the bank has had to contend, has been produced by its agency for the government, and particularly by the too rapid reduction of more than eighteen millions of the public debt, between the months of June, 1817, and November, 1818, and the utter impracticability of converting in due time any reasonable portion of the specific public deposits into such funds as the public creditors were entitled to demand, without hazarding the prostration of many respectable institutions."

As banks are the creatures of government, all the evils they produce must be ascribed to the government. It is to afford opportunities for speculation to themselves, their personal friends and their political partisans, that our law-givers establish banks. It was through the attempt to carry on the war by means of bank notes and bank credits, that the suspension of specie payments was produced. It was through the connivance of the government, that the suspension of specie payments was so long continued. It was through the issue of treasury notes, that the amount of bank notes in circulation was immediately increased. It was that a large amount of public stock might be absorbed, that a bank was instituted with a capital of thirty-five millions, when there was not room for a credit bank with a capital of thirty-five thousand. No doubt, also, the disinclination of the government to suffer the bank to retain the eighteen millions of public moneys, mentioned by "A Friendly Monitor," had its effect. If the government had been content to continue to pay the interest on a corresponding amount of public debt, and to let the bank keep eighteen millions of the public money for its own uses, the crisis might have been —we will not say averted, but it might have been delayed. If it had been delayed, the evil would have been increased. The notion of the early administrators of the Bank of the United States, appears to have been, that the bank should do a business bearing the same proportion to its great capital, that the business of the local banks bore to their small capitals. If the payment of any portion of the national debt had been deferred to suit their convenience, they would have made a corresponding increase in their business. Even as it was, we have found them complaining, in the spring of 1818, that they could not sign notes fast enough: and the

* Letter of Mr. Dallas, November, 1816.
† Weekly Register, April 11th, 1818.

report of the committee of Congress shows, *that* all the energies of the directors were exerted to increase the circulation, extend the general dealings of the bank, and raise the price of the stock in the market.

Other men in their situation would probably have acted as they did. It is of very little moment whether it is Mr. WIGGINS or Mr. SPRIGGINS that is president of a bank, or whether the JONESES or the GILESES are directors. *The fault is in the system.* Give the management of it to the wisest and best men in the country, and still it will produce evil. No new principles of action were introduced by the early administration of the United States Bank. If the members of Congress who granted the charter did not know that the usual way of paying all instalments after the first is by discounting stock notes, they had not much acquaintance with either the theory or the history of banking. As little credit must be given them for intelligence in respect to money corporations, if they did not know that the practice of those who wish to get the control of such institutions is, to divide their shares as was done by certain gentlemen in Baltimore, and by others in Philadelphia. It was not, surely, to be expected, that men who had associated with the professed design of making profit for themselves, and who had admitted the government as a partner, should trammel themselves with restrictions which the legislature had, either through design or oversight, failed to impose. If the courts of law have not absolutely decided that whatever is not expressly forbidden is granted in a charter, the banks find it very convenient to act on such an assumption.

The history of the country from 1814 to 1818, exhibits nothing more than the natural results of banking by corporations, and with paper money, while the government, embarrassed in its fiscal concerns, wanted the inclination, or perhaps the ability, to apply an adequate remedy. The reaction of 1818-19 was only the natural result of the different operations of the preceding years. The irregular banking in the south and west in subsequent years, is only a link a little lower down in the same chain of consequences.

It would appear as if the suspension and resumption of specie payments might have been productive of little embarrassment, comparatively speaking, if the government had, immediately on the close of the war, refused to receive inconvertible notes in payment of duties. The few banks which then existed in Ohio and Kentucky had suspended payment only a month or two. The Bank of Nashville actually maintained specie payments. The dealings of the banks in the southern States were of moderate extent. The new banks of Pennsylvania were not yet in full operation. The principal part of the over-issue was by the banks of the great cities of the middle States, and these banks might, by a sale of the public stocks they held, have obtained the means of redeeming their excess of paper.

If this had been done we should have escaped the particular evils recorded in the foregoing chapters, but we should probably have experienced evils proceeding from the same source in another form. It was four or five years before the war, that banking in New-England produced consequences similar to those felt in the other States four or five years after the war. As the mania spread through New-York, into Pennsylvania, and thence south and west, banks were established without those restrictions which experience in New-England had proved to be necessary.

To impose such restrictions would, in fact, have been hardly in accordance with the philosophy of the day. A ruling principle in this was, as may be seen by the quotations we have given from the writings of various eminent men, that inconvertible bank notes, if they were not quite as good as gold and silver, were very little inferior to them as a circulating medium. Many of our readers may smile at such notions now; but, perhaps, if they had lived in those days, they would have thought as their neighbors thought. Perhaps the present popular notions on the subject of banks, will, some twenty years hence, be regarded in the same light as those notions of the anti-bullionists are at the present period.

That "*love* of money which is the root of all evil," and which, operating through the medium of incorporations and paper bills, is productive of so much evil, would have brought on the nation great calamities, if we had remained at peace. The war, and the measures consequent thereon, gave that evil its particular form and feature. It is that same "love of money" which now gives plausibility to the sophistry by which the present banking system is supported, as well in the minds of those who suffer as in the minds of those who are benefitted by the system. Hence it is that the former are so easily persuaded that what is gained by the use of paper money is so much gained by the nation, and not so much gained by *one*

part of the nation from another part. It is so hard for any man, be he merchant, or be he drayman, to be content with his earnings —we are all so anxious to become rich in a hurry, that we readily become the dupes of one another, and sometimes in our haste we dupe ourselves.

CHAPTER XIX.

Of Banking from 1820–21 *to* 1825–26.

To tell of all the expansions and contractions that have occurred since the first grand curtailment was made by the United States Bank, would require a large volume. Our country is so extensive, and the causes that affect bank medium are so various, that while one part of the Union is suffering all the evils of scarcity of money, another may be in the height of that apparent prosperity which is produced by an increasing paper currency. It is by no means unusual for a contraction to begin on the seaboard, before the full effects of the previous expansion have been felt in the interior; or for expansions to recommence on the seaboard, soon after the inland banks find the necessity of restricting their issues.

Each bank has its own sphere of operation, within which there may be contractions and expansions not sensibly affecting any but those within that sphere. But from desire to increase their profits, the different banks not unfrequently encroach on each other's spheres, by which more extensive disorders are produced. The action of the banks among themselves has been compared to that of so many drunken men passing along the street together, occasionally supporting one another, and occasionally knocking one another down. Their motion is vacillating, tottering. It is seldom in a straight line.

An attempt to enumerate all the vibrations of bank medium would therefore be idle. But from a careful inspection of files of the United States Gazette for 1821 and 1822, and of the Philadelphia Gazette for subsequent years, we are able to give the following view of variations of the money market, embracing all the most important expansions and contractions.

1821. Business dull in the beginning of the year. The effects of an expansion apparently commenced in the spring, begin to be felt in June or July, and by October the spirit of speculation is tolerably active.

1822. A reaction commences in May, the effects of which are felt through the rest of the year.

1823. The Bank of the United States receives the notes of all its branches, and begins to extend its operations.

1824. The Banks increase their issues, and the spirit of speculation is excited.

1825. The consequences of the great reaction of 1818-19 are not over in the interior: but on the seaboard the effects of the expansion, begun in 1823 and continued through 1824, are felt in the rise of property and general briskness of business. In July or August a violent reaction commences.

1826. The effects of the reaction are felt through the greater part of the year.

1827. Money plenty. The United States Bank commences issuing branch drafts for small amounts.

1828. Sudden and alarming scarcity of money in May, and again in September.

1829. Money is scarce till July. It afterwards becomes plenty.

1830. Money plenty.

1831. Money very plenty till October. Then a reaction begins.

1832. Money scarce. Towards the close of the year, the pressure abates in Philadelphia: but it is not apparently diminished in some other parts of the country.

In the middle States are placed the United States Bank, and some of its most important branches, and here are collected and disbursed the greater part of the public revenues. The heart of the Banking System is here, and while it is affected, in a greater or less degree, by whatever affects the extremities, it, in its turn, has a powerful operation on the remote parts of the Union.

In the years 1820 and 1821, the banks of the middle States settled down into what Mr. Niles calls a state of regularity. The notes of many of them became mere broker's merchandise, and the discount on those which remained current, did not exceed the cost of transporting specie from the place where they were issued to the place where they were circulated.

A fair field was then first opened for the credit operations of the Bank of the United States. But by this time confidence was destroyed, and the spirit of enterprise was chilled. "There is now," says Mr. Niles, on the 3d of February, 1821, "little demand for money, except to answer the current purposes of life, and pay old debts, for either of which it is difficult enough to get, though apparently abundant enough." The capitalists of New-York made great complaints in March of the difficulty they found in investing their funds: though at this very time, the country papers were teeming with advertisements by the sheriff; and three hundred and fifty persons in Baltimore made application, in the month of May, for the benefit of the insolvent laws of Maryland. A tradesman in Philadelphia advertised for a shop-boy, and fifty applications were made for the place in three days.* The building of a new ship excited quite a sensation, as some-

* See United States Gazette of June 20th.

thing out of the common order of things. The fear of moneyed men to embark in new enterprises, left many laboring people without employment. Solvent men had little disposition to borrow, for they could not tell whether prices had yet reached their lowest *limit*, or form a satisfactory conclusion as to the state of affairs in coming years.

In the interior of Pennsylvania, the people were clamorous for the establishment of a State loan office. Nor is this to be wondered at. In the month of June, the sheriff of Bedford filled two newspaper columns and a half with his advertisements; and the sheriff of Berks offered for sale three thousand acres of land, besides town lots. In August, fifty-seven farms were advertised for sale by the sheriff of Westmoreland, sixty-three pieces of property by the sheriff of Northampton, and thirty-seven by the sheriff of Mifflin. In October, the sheriff of Cumberland advertised for sale two thousand three hundred and eighty acres of land, besides twelve town lots with handsome improvements: and in December, the sheriff of Berks offered for sale the property of forty persons. From the state of things in six of the fifty-two counties of Pennsylvania, the reader may form some idea of the condition of affairs generally.

In April or May, 1821, as nearly as can be ascertained, the city banks began to expand, and the effects of this expansion were sensibly felt in August, and still more sensibly in October. Tired of a protracted state of inactivity, many men began to employ their capitals and their credit, at a risk rather than on calculation. For some months things wore a pleasing aspect: but in April and May, 1822, the prospect was again clouded over. Some kinds of imported goods fell 15 per cent. in Philadelphia; and United States Bank stock, which had been held at 115 in February, was sold in New-York on the first of May at 102, and fell before night to 98½.

Other kinds of public securities experienced a depreciation, but the fall in United States Bank stock being greatest, naturally attracted most attention. It was attributed by some to the machinations of brokers, and by others to a loan of five millions made by the bank to the government, and to the quantity of stock hypothecated to the different banks and insurance offices in New-York and other places.

It is certain that the evils produced by paper-money banks, are greatly increased by the dealings of these institutions with government. The transactions are so large as usually to derange the regular train of mercantile operations. The heavy deposits of government enable the banks, at times, to extend their discounts further than is proper. Their payment of these deposits, and the making of heavy loans to government, usually compel them to curtail their accommodations to men of business.

But it is of less moment for us to know what particular operations of the bank caused the sufferings of 1822, than to know that these sufferings were the consequences of over-trading produced by over-banking. That there was an excess of paper issues in part of 1821 and 1822, is evident from the fact that, according to the official returns, the exports of specie in the year ending September 30th, 1822, amounted to 10,781,933 dollars, and those of bullion to 28,248, while the imports of specie for the same period amounted to only 2,958,402 dollars, and those of bullion to 411,444. A Boston paper says that from the first of January to the first of June, 1822, the imports of specie into that port amounted to only 70,000 dollars, while the exports, in the same period, to the East Indies, Brazil, England, and Cuba, amounted to one million two hundred and five thousand five hundred and six dollars. At one time, in 1821, there were 2,434,000 dollars in specie in the vaults of the Boston Banks, and by June, 1822, this amount was reduced to 430,000. In the same period, the specie in the vaults of the United States Bank and its branches was reduced from 7,643,140 to 3,334,452 dollars.

On the 29th of June, Mr. Niles remarked that forty-two merchants of Boston had stopped payment within the period of a month: and on the 3d of August, he made the following quotation from a Salem paper: "We regret to learn that failures continue to take place almost daily at Boston, some of them of persons extensively engaged in commerce. We are informed that within the last two months, there have been more than eighty failures in that city. The embarrassment, distress, and alarm, which such a state of things must necessarily produce, are indeed a serious calamity." The amount of these failures, for the last two months, adds Mr. Niles, is said to be more than three millions of dollars.

There were also failures in New-York, and many of the operative manufacturers of Philadelphia were deprived of employment.

Throughout the year business was very vacillating. In the latter part of it, there appears to have been another sudden shock given to trade; for it is mentioned in the United States Gazette of December 13th, that some species of cotton and woollen goods had fallen fifty per cent. in the course of a few weeks.

Bills on London, which were at 111½ *a* 112½, in February, 1822, were quoted in the Philadelphia Gazette of May 14th, 1823, at 104½. The true par being, according to Mr. Gallatin, seven per cent. above the nominal par, the foreign exchanges were decidedly in favor of the country. A combination of causes compelled the banks to be cautious this year in their operations. The condition of things in the southern and western parts of the Union, prevented the United States Bank from extending its dealings as far as it desired. The Pennsylvania Banks felt the uncertainty of their fate. The charters of many of them were about expiring, and applications for a renewal of them, made to the legislature in the sessions of 1821–22, and 1822–23, had been defeated. The city of New-York was flooded with the notes of a number of small institutions in the country parts of that State, and of other States. These notes, though they were not on a par with specie, constituted the principal medium of retail trade.

The bank interest was very powerful in the Pennsylvania legislature in the session of 1822–23; but the dominant party feared to pass a bill to extend the charters of the banks of 1814, as it might have an unfavorable effect on the election for governor, in October. When the election was over, the chief obstacle to the operations of the banking interest was removed, and a bill was passed in March, 1824, for re-incorporating *every one* of the banks of 1814 which had applied for a renewal of its charter.* About the same time, the bank mania broke out afresh in some of the other States, and it seemed, in the latter part of 1824 and the beginning of 1825, as if the days of 1815 and 1816 were about returning in America, and those of the South Sea bubble in England.

The infatuation, if we may be permitted to call it by so mild a name, was most violent in New-York. The speculators of that city, not content with such privileges as their own legislature could bestow, prevailed, by means of bonuses, on the legislature of New-Jersey, to establish a string of small moneyed corporations along the shore of the North River; and, in defiance of the statutes of Pennsylvania, took possession of coal lands within her limits, under the color of charters granted by another State. Their own legislature they besieged in every possible form. During the session which commenced in January, 1825, application was made for charters for new Banking, Insurance, and other companies, with nominal capitals to the amount of *fifty-two millions of dollars.*

Money was never more abundant, if a judgment could be formed from the subscriptions to the stock of such companies as succeeded in their applications for charters. Three million dollars were subscribed in one day, in January, to the stock of the New-Jersey Lombard and Protection Company, though its capital, as fixed by law, was only three hundred thousand dollars. Nine million dollars were subscribed in April to the New-York Water-Works Company, and by some contrivance its script was raised in the market to thirty per cent. above par. Thirteen millions were subscribed in May to the stock of the Delaware and Raritan Canal Company. Between the 5th and the 16th of February, the stock of the New-York Gas Company advanced 28 per cent., and sold at 178.

It was not in dealings in stocks only that great activity prevailed. More commercial business was said to have been done in Philadelphia, in the month of February, than in any one month of the preceding ten years. The banks were liberal in their discounts, and the spirit of speculation showed itself in various forms.

While the public mind was in this state, seven expresses arrived at Philadelphia from New-York in one day, (April 9th,) with news of a great rise of prices in the markets of Liverpool and London. The effect was electric. Twenty-seven cents were offered for upland cotton, and refused, though twenty cents would, a week before, have highly gratified the holders. Cotton yarn, No. 15, rose from thirty-five to forty-five cents. Muscovado sugars advanced a dollar on a hundred. St. Domingo coffee rose from seventeen and a half to twenty-one cents a pound. Quercitron bark rose from twenty-seven to thirty-five dollars a ton. The rise in the prices of tobacco, drugs, and spices, was very considerable.

Every body was in haste to grow rich:

* The Silver Lake Bank is perhaps an exception. Its charter was renewed, but we are not certain whether it was at this or at a succeeding session.

and the cotton dealers were regarded with special envy. It was currently rumored that such a man had made twenty thousand dollars in one day; such another, thirty thousand; such another, forty thousand; and such another, fifty thousand. Some firms, if reports were to be believed, had realized one hundred thousand; while the computed or prospective gains of others were swelled to nearly half a million.

In New-York, the speculations were carried to a much greater extent than in Philadelphia; and despatches sent to the south spread the infection through all that region. The Charleston Patriot, to show the state of feeling, mentioned that "the same parcel of cotton had changed owners six or seven times within a week, without leaving the hands of the factor." It was, in this year, that the growing crop of corn was rooted up in some parts of the southern States, to make room for new plantations of cotton.

The cotton mania continued to rage, with more or less violence, through the months of May and June. But in July news was received of a decline of 3*d*. a pound in the price of cotton at Liverpool, and a pressure for money was soon felt in New-York. In the next month, the pressure increased, and between August and December, there were fifty failures in New-York, and thirty in the southern cities. Towards the close of the year, the pressure for money in Boston was very alarming. Exchange on England, which was at five per cent. in the spring, rose to ten per cent. in September. New-Orleans notes, which were at two or three per cent. discount at Philadelphia in the spring, fell on the 21st of September to fifteen per cent., and were quoted on the 28th of the same month, at fifty-six per cent. below par. On the 4th of December the same notes were quoted at only four per cent. discount, exhibiting a remarkable example of rise and fall in the space of a few months.

Many of the Banks were in great difficulties. Several of them broke. And such were the straits of the United States Bank, that one of the directors talked publicly on the Exchange at Philadelphia of the expediency of suspending specie payments.

Mr. Biddle, the president of the United States Bank, says, "the fall of 1825 was probably the most disastrous period in the financial history of England. It was then that the wild speculations in the American mines, and the still wilder speculations in American cottons, recoiled upon England, and spread over it extensive ruin. In the midst of this suffering, it required little to produce a panic, and accordingly there ensued a state of dismay, which, for a time, threatened to involve all interests in confusion. There was, probably, at no period of English history, so intense and general a distress as there was in December, 1825.

"Now the very same storm which thus broke on England, passed over this country a few weeks before: it was on the eve of producing precisely the same results; and certainly I have never felt any uneasiness about the banks of this country except on that occasion. Just as the difficulties were commencing, the government paid off, on the 1st of October, a loan of seven millions, of which $ 3,366,761 64 were payable in Philadelphia. The payment of this sum by the bank, of course, diminished its means for active business, and brought it largely in debt to the State Banks, both of Pennsylvania and New-York. It became, therefore, an object of extreme solicitude to prepare for the relief of the community, and to provide for the danger which was obviously approaching.

"The first object of the bank was to relieve itself from the debt which the payment of the seven millions threw upon it. Accordingly, it began by making sales of its funded debt and bank stock at New-York, and Boston, and Philadelphia, amounting, in the month of October, to $1,828,210 19 in funded debt alone, and by husbanding all its means till it could place itself in a state of perfect security.

"By the first of November, the bank was extricated from debt, and continued daily to strengthen itself. In the midst of the difficulties of the community, two circumstances contributed to increase them: the one was a heavy demand for specie for the use of the British army in Canada; the other was a similar demand for specie, to pay the instalments of a new bank then recently established at New-Orleans. This want was to be supplied before any ease could be extended to the community, and it was pressing with extreme urgency. The effect of it was to inspire a general distrust and alarm, and by the middle of November, all the indications, which it was impossible to mistake, denoted an approaching panic, which would have been fatal to the country. If the strength and wealth of England could not withstand such

an alarm, its effects on this country would have been incalculable. That moment seemed to me to be the very crisis of the country, to be met only by some decided and resolute step, to rally the confidence of the community. In such a situation I did not hesitate on the course which my duty prescribed. I went immediately to New-York, where I sought the gentleman who was preparing to draw specie from the banks of Philadelphia, in order to send it to New-Orleans, and gave him drafts on that city. These drafts were not given to protect the bank itself, which was then a creditor of the Philadelphia Banks for more than the amount of them, but they were employed to arrest from these city banks a drain which could not fail to embarrass them. I then endeavored to ascertain the real state of things by separating the danger from the alarm, and having done so, on the 22d of November, the letter annexed was addressed to the branch at New-York, suggesting the propriety of increasing its loans.

"From this moment confidence revived, and the danger passed. I then thought, and still think, that this measure, the increase of the loans of the banks, in the face of an approaching panic, could alone have averted the same consequences, which, in a few days afterwards, were operating with such fatal effects upon England. I have never doubted that the delay of a week would have been of infinite injury, and the prompt interposition of the bank was the occasion of protecting the country from a general calamity."

It is very possible that the means taken by Mr. Biddle were the only ones by which a panic could have been prevented; but what ought we think of a system by which the pecuniary salvation of the country is made to depend on one man's hurrying by night from Philadelphia to New-York, to prevail on another man to accept drafts on New-Orleans in place of specie? The establishment of a new bank is, in the United States, an event of everyday occurrence: and the business is so well understood, that the amount of specie required for such a purpose is very trifling. What sum was wanted for the use of the British army in Canada, is not mentioned; but as the British government must have given an equivalent for it, it diminished in the same amount, the demand for remittances to England. If there had not been the two particular demands mentioned by Mr. Biddle, there would have been demands for something else.

There is what Mr. John Quincy Adams calls, "a galvanic sympathy" between the paper-money banks of different countries: and it is certainly no small objection to our present system that it makes us liable to be affected injuriously by every derangement in the currency, commercial concerns, or financial affairs of Great Britain. So intimate and so manifold are the connexions of the two countries, that an expansion or contraction never takes place in England, without being accompanied or followed by an expansion or contraction in the United States. We have, also, expansions and contractions independent of those of Great Britain: but when the causes of the variations of bank medium operate simultaneously in both countries, the effects are very striking.

The state of confidence between man and man, and the state of the currency in some parts of the Union, were not such as to admit of as great an increase of bank medium in the United States as took place in England in 1824 and 1825. The effects of the great reaction in 1818–19 were not yet over. In Kentucky, society was in a state bordering on anarchy. In Alabama and Tennessee, the paper of the local banks was much below par. Ohio, Indiana, Illinois and Missouri, had not recovered from the effects of the relief system. The currencies of Georgia and North Carolina were very vacillating. The city banks of New-York had for two years, beginning with the summer of 1823, been endeavoring to restrict the petty banks of their neighborhood, and in so doing had limited their own circulation. In New-England there was a war between the allied banks of Boston and the country banks, which caused a great pressure for money in the eastern States, in the month of May, or at the very time when there was so much commercial activity in the southern cities. In the interior of Pennsylvania the sheriffs had not yet got through the duty of selling the estates of those who had been made bankrupt by the operations of the years 1818 and 1819.*

* The sheriff of Adams County advertised thirty-three estates for sale in the month of May. The Juniata Gazette, on one day of July, contained thirty-two advertisements by the sheriff. The sheriff of Fayette, in the month of June, offered for sale 118 tracts of land, containing 45,000 acres, or one-eleventh part of the county. Most of this was the property of one person. In the same month the sheriff of Bedford offered for sale twenty-three estates, and the sheriff of Westmoreland, twenty-six. In December, 48 estates, containing together 3,342 acres of land, with farm-houses, barns, gristmills, and other improvements, belonging to thirty-one different persons, were offered for sale by the sheriff of Berks.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, May 25, 1842. No. 24.

"CONVERTIBLE PAPER."

It is a point very generally *assumed* by the friends of the present banking system, and sometimes tacitly admitted by some of its opponents, that so long as the banks promptly redeem their issues on demand, the amount of currency is the same as it would be if we had only a metallic medium, and that prices are consequently the same as they would be if our money consisted exclusively of gold and silver coin; or, that if they ever differ from this scale, it is only in a slight degree, and for a short period. In other words, they assume as a fact that the bank notes which then circulate merely displace an equal amount of gold and silver currency.

It is a very convenient assumption for them, but it is entirely a gratuitous one. Yet it is a position of so much importance that its truth ought not to be taken for granted. It is certainly assuming a great deal, to assume that two kinds of money, so very different from one another as coin and paper, will be the same in their volume.—They differ both in the *cause* of their value, and in the *nature* of their value. The value of the one is *intrinsic*, or *inherent* in its very substance. The value of the other is *adscititious*, being dependant entirely on an *opinion* that something possessing inherent value can be got in exchange for it. Paper money is merely the representative of a *debt* due by the issuer to the holder. Gold and silver may be said to represent the *labor* and the *capital* which have been employed in producing them. The quantity of paper money may be suddenly increased or diminished in a large amount. The quantity of gold and silver cannot suddenly be either greatly diminished or greatly augmented.

It is, we repeat it, *assuming* a great deal to *take for granted* that prices are the same when the currency consists of "convertible paper," as they would be if the currency consisted exclusively of gold and silver money. It is a position which ought to be *proved*, if it can be proved.—But it never yet has been proved. And we defy the friends of the present banking system to prove it.

In 1830, the issues of the banks amounted to 61 millions of dollars; in 1834 to 94 millions; in 1835 to 103 millions; in 1836 to 140 millions; and in the beginning of 1837 to 149 millions.—During all this time the banks were paying specie. In the short period of six years, the circulation was more than doubled. Is it possible to conceive that such an augmentation would have taken place if our currency had consisted exclusively of gold and silver? According to Jacobs, the whole quantity of the precious metals in the world is equal to ten thousand million dollars. According to Gallatin, the mines when most productive yield about fifty millions a year. The annual supply is to the stock on hand equal to one-half per cent. How then would it be possible for gold and silver money to fluctuate as "convertible paper" fluctuates?

Take again the circulation of the banks in the State of New-York, *since* they resumed specie payments. On the 1st of January, 1839, the aggregate circulation was 21,873,149: in 1840, 16,372,592: in 1841, 20,588,123: in 1842, 12,100,000. In one year we find the currency *increasing*, at the rate of 25 per cent.; and in the next *decreasing* at the rate of 40 per cent. Facts like these overthrow the very basis of the theory of "convertible paper."

The notion that the foreign exchanges will regulate such paper so as to give it the *stability* of a hard money currency, is altogether fallacious. It is necessary, indeed, for the bankers to watch the course of foreign exchanges, as otherwise they would not know when to save themselves by ruining the community. But experience has shown that there may be a very great inflation of the currency, and a very small rise in foreign exchanges.

During the great panic in England in 1825, exchanges were steadily in favor of great Britain: and during the great expansion which preceded

the panic, they were never more than a fraction of one per cent. against London, and in favor of Paris.

At New-York and Philadelphia, during the years 1830, 1834, 1835, and 1836, the foreign exchanges were generally in favor of this country, and were at no one time more than one per cent. in favor of London, taking the *true* par as the basis of the calculation.

These facts show conclusively that there may be an enormous inflation of a "convertible paper" currency, which will evince itself neither by a premium in specie, nor by a permanently high rate of foreign exchanges, but simply by a rise in the price of commodities.

BANK CURRENCY.

"The currency of a country," says Mr. Gallatin, "is the common standard by which the value of all the other commodities is estimated, and every contract is performed. Whatever commodity or *species of paper* may by law or general consent, be universally received in any country in exchange of every other commodity, and in payment of all debts, is the circulating medium of the country."

Bank notes constitute our standard and currency, and this is true whether the banks sustain or suspend specie payments. In either case, gold and silver coin are with us mere merchandize, or at best but a *subsidiary* currency. They are used only in retail transactions, for occasional payment of bank balances, and for payment of balances to foreign nations.

It *ought not* to be so; but *it is so.* The banks by their issues determine the prices of all commodities, and among others of the precious metals. We buy gold and silver with bank notes, just as we buy copper and iron.

So long as the banks pay specie, they keep two commodities, namely, gold and silver at fixed rates as compared with paper money, but cause all other commodities to fluctuate in price to a most ruinous extent. When the banks suspend, they cause gold and silver to fluctuate in paper currency price more than any other articles of traffic.

It is sometimes argued that when the banks suspend specie payments, they cause an immediate loss to the community equal to the premium which is then demanded for specie, or, if you will, the discount on bank notes as estimated in specie; so that, if the paper in circulation amounts to one hundred million dollars, and the discount on bank paper is ten per cent., the loss to the community is equal to ten millions of dollars. This is not true. Banks, by suspending specie payments, do immense evil, but not in this way. It is generally found immediately after a suspension of specie payments, that most commodities can be purchased with bank paper as advantageously as they could before. Goldsmiths, silversmiths, and others whose business or inclination induces them to purchase specie, lose immediately by bank suspensions, but not the community generally. The sufferings of the community come afterwards, and in another way.

There is a *particular relationship* between bank paper and specie; but bank paper, in even the best of times, cannot, with propriety, be said to be founded on specie, nor will specie payments by the banks give to their paper that *stability* of value which every currency ought to possess. The paper currency of Great Britain may be said to be founded on *wheat*, or *corn*, as the English call it, and that of the United States on *cotton*, rather than on specie. The extent to which the banks of Great Britain can, in ordinary times, expand, depends on what that country has to *buy* abroad.— The extent to which the banks of the United States can expand, depends on the amount which we are able to *sell* abroad, added to the amount which we are able to *borrow* abroad.

A bad harvest in England, by compelling the English to send gold to the continent to buy corn, always causes their paper money banks to contract their circulation. A good harvest, on the contrary, enables them to expand. Thus it is the state of their corn crop that primarily regulates the issues of their banks.

So in the United States, the extent to which the banks can expand, depends on the amount we can *sell* abroad, added to the amount we can *run in debt* abroad. Suppose, for example, the value of our exports be suddenly doubled or trebled in the foreign markets to which they are sent. Then what in ordinary times yields us but one hundred million dollars, would yield two or three hundred millions. It is plain that in such a state of things, exchanges would be greatly in our favor, and that the banks could for a time increase their issues enormously, and raise prices accordingly. It is equally plain that the same effect will be produced, if we can run in debt abroad to the amount of one or two hundred millions. Under such circumstances, though prices may be very high and imports enormous, there will be little or no demand for specie for exportation, because our credits abroad will satisfy all demands against us.

What is here supposed to occur, is what actually did occur between 1830 and 1836. Cotton, which was, according to the Treasury Reports, of the average value of only 9¼ cents a pound, in 1831, continued to advance, notwithstanding a great increase in the production of the article, till 1836, when it reached the price of 16½ cents. According to the same Reports, the value of the cotton exported, which was in 1831 less than 26 million dollars, increased in 1832 to 32 millions; in 1833, to 35 millions; in 1834, to 50 millions; in 1835, to 62 millions; and in 1836, to 68 milions. This, of course, afforded our banks an ample fund of foreign exchanges, which was further increased by the sale of stocks in Europe, and the open credits then granted to American houses.

If we look into the condition of things on the other side of the Atlantic, we find that a succession of good harvests in England, enabled the banks there greatly to increase their issues, thus raising the price of our cotton, and causing an extension of the credit system in all its forms.

These truths show that there may be an enormous inflation of a "convertible paper" currency, which will evince itself neither in a premium on specie, nor a rise in the rate of foreign exchanges, but simply in the advanced price of commodities.

In sober truth, specie plays a very inferior part in our bank currency system. It comes in as only a *secondary* regulator, and does not begin to act on the mass of the paper currency till the mischief is done,—that is, till the expansion has proceeded so far as to involve the whole community in the wildest schemes of speculation.

By paying specie, the banks do indeed fix the *money rate* of foreign bills of exchange, so that the premium cannot, in ordinary circumstances, and for any length of time, exceed the cost of transporting specie from one country to another, including in that cost, freight, interest, insurance, and charges of every description. We accordingly find that for a series of years, embracing periods of both expansions and contractions, the whole extent of fluctuation in the rate of exchange between London and Paris, did not exceed 1½ per cent. This includes both discount and premium.

Regulating, in this way, the money rate of foreign bills of exchange is, however, a very different thing from regulating a mixed currency in such a way that the total amount shall be exactly and constantly equal to the gold and silver which would circulate if there were no paper issues.—This the banks cannot do by the simple act of paying specie for their notes. The necessity of paying specie does, indeed, fix a limit on their issues; but this limit varies with every change that occurs in the commercial world, and in the state of public credit. Under certain circumstances, our banks may issue paper to the amount of one hundred and fifty millions, and yet continue to pay specie. Under other circumstances, they may find it difficult to sustain specie payments, though the paper in circulation may be reduced to one hundred, or even seventy-five millions.

It is a beautiful system, truly: and one well worthy of the support of the sages and patriots of America.

TOBACCO MONEY.

We are indebted to the Petersburg Statesman for the following extract from an old author, giving an account of a commercial medium which was in use in Virginia about the year 1779.

The principal trade of Petersburg arises from the exporting of tobacco, deposited in warehouses and magazines; but before it is lodged in these warehouses, it is examined, to confirm it in a proper state for exportation, by inspectors, who prove the quality of the tobacco; and if found good, they give the planter a receipt for such a quantity, and these receipts pass current as cash: thus, any one depositing tobacco in these warehouses, and obtaining a receipt, may go to Williamsburg, or any other city in the province, and purchase any kind of commodities, paying with receipts, which circulate through a multitude of hands before they come to the merchant who purchases the tobacco for exportation: thus this valuable commodity is equally bank stock and current coin; and the inhabitants in describing the prices of their different purchases, instead of saying, "I gave so many pounds (sterling) for such an article,' say, 'I gave so many hogsheads of tobacco.'

We regard these certificates as far superior to the paper money now in use. There was no deception in them. They were *representatives* of a commodity having intrinsic value. They were *bona fide* bills of exchange, redeemable not in gold or silver, but in another commodity having inherent value. And every man who had one of these certificates, knew in what manner it was ultimately to be redeemed, and that there was a sufficient fund provided for its redemption. The language in use,—"I gave so many hogsheads of tobacco for such an article," shows that the character of the medium was understood by those who used it. It did not, like our present medium, utterly destroy, in many minds, the distinction between cash and credit, promise and payment, metal and paper.

BIDDLE ON BANKING.

In the latter part of the present number, pages 379 and 380, will be found a very lucid exposition from the pen of Mr. Nicholas Biddle, of the effect which bank expansions and bank contractions, have on prices, and also on the export and imports of commodities in general, and of specie in particular.

One passage in this essay struck us with particular force when we last read it. It is the following:—

"If a bank lends its money on mortgages, or stocks—for long terms, and to persons careless of protests, it incurs this great risk, that, on the one hand, its notes are payable on demand, while on the other, its debts cannot be called in without great delay—a delay fatal to its credit and character. * * * * A well managed bank has its funds mainly in short loans to persons in business,—the result of business transactions—payable on a day named."

Mr. Biddle has the merit of having stated the truth on this point with great clearness, and of having illustrated it, by acting in *direct opposition* to it. This was the necessary effect of his connection with stock jobbers and politicians.

From the Petersburg (Va.) Statesman.

BANK PAPER MONEY.

ITS UNCONSTITUTIONALITY.

The United States Constitution provides that no State shall "coin money." Can then a State which is prohibited from coining gold and silver money, establish corporations with authority to make promises equivalent to money?

The U. S. Constitution provides that no State shall emit bills of credit. Can then any State establish a corporation with power to issue bills of credit? Can a State borrow such bills? And if the notes of banks are not bills of credit, pray what are they?

Judge Story says, that "The bills of credit of Connecticut, passed before the Revolution, were of the same general character and operation."—The act of 24th George II, uses language, that shows "bills of credit" to be a phrase constantly used and understood as equivalent to paper money. Judge Story states, that "to emit bills of credit, conveys to the mind the idea of issuing paper, intended to circulate through the community, for its ordinary purposes, as money, which paper is redeemable at a future day."

Judge Kent, in his Commentaries, defines a State bill of credit to be paper issued by a State Government, and intended to circulate through the country for its ordinary purposes, as money redeemable at a future day.

Again—the U. S. Constitution provides, that no State shall make any thing but gold or silver coin a tender in payment of debts.

Then can a State rightfully establish banks with power to issue paper money—to banish the specie from the State, or lock it up in the vaults of the bank? Shall the U. S. Constitution compel every man, when required, to tender gold or silver coin in payment of his debts, and yet the State have authority, by means of banks, to expel or lock up all the gold and silver coin? Do not the banks, in practice, by the issue of their money, render impracticable the tender of specie?

Is not then this clause of the United States' Constitution (the supreme law of the land) rendered null and void by bank paper? Can banks be constitutional or expedient when their inevitable operation is to repeal a clause in the United States Constitution?

* * * * * *

Should a State undertake to coin gold and silver, the whole world would admit that that was unconstitutional. Suppose, then, instead of coining gold and silver, the States should coin pewter, and by statute give it the value of money; passing off the pewter for silver and gold; is it conceivable that this proceeding would not be contrary to the United States Constitution? In other words, would the coining by a State of gold and silver money be unconstitutional, and yet the absolute counterfeiting of the coin of the Union be constitutional? Is making good money by a State a crime, and uttering counterfeit money no offence?

But, if the coining of pewter be incompatible with the constitution, how can the substitution of paper be compatible with it? Who will deny that a large portion of the paper currency of the United States is of as little value as pewter coin? Why is it that a State may give statutory value to a bit of stamped paper, and not to a bit of pewter?

The U. S. Constitution gives to Congress the exclusive power to coin money; the State banks issue paper money and banish the coin. Is it conceivable that the wise men who framed the constitution could have intended to give Congress an exclusive power, and yet clothe them with no remedial measure of securing that exclusiveness?—Did they mean to give to one Congress the sole power of coining money, and yet invest that body with no power to prevent twenty-six several States from indirectly usurping and absolutely defeating the power?

From the Charleston Mercury.

SPECIE AS CURRENCY.

The old Merchants of Charleston speak with enthusiasm of the noble trade of this city thirty and forty years ago—before the establishment of the bank dynasty in the country—when we had a direct trade with many nations—when payments were made mostly in gold and silver—when the Merchants themselves poured their surplus resources into each others' hands with the freedom and confidence of brothers—when bad faith was as little suspected as it was rarely practiced.—Those who have dealt with the Merchants of Cuba give the same account of the prompt payments, confiding trust, and sterling honesty that characterise the course of business there. The curious science of checks and balances—stately rows of books "by double and single entry"—that vast complicate web spun about the circle of business to prevent sharpers from preying on each other, is

little known in those regions, where men buy only what they can pay for, and are careful to pay for what they buy.

In the system under which we now live our currency is a vast debt of the banks—our capital a still greater debt to the banks—our retail trade another to wholesale capital—our meat, drink, and clothes, a debt to the retail trade. We are wound up, intercogged and hooked in by a system of debt and credit, overlaced, underlaced, network, crosswork, binders, braces, and all conceivable sorts of intertwistifications, till we resemble very much one of those bewildering mazes of machinery that have grown up under the crazy dream of making "perpetual motion"—and with much the same object and success, too—for our whole system is founded on the universal desire to live and get rich without capital, without economy, and without toil—and the result, as in the case of the said perpetual motion, is that when we are just on the point of bringing our scheme to perfection, it is sure to stop with a crash, and the whole to tumble about our ears. A crazy chemist in one of Boz's whimsical tales, complaining of the same malice of fate, says "the *Philosopher's Stone* would have been discovered a thousand times, if it had not been for the remarkable fact that the crucible is sure to blow up just at the very moment when the grand result was about to be realized." Our system is such that if a single wheel break, the whole stops, or rushes off in a terrible rattle and crash—the protest of a note may set the whole world in an uproar—the bankruptcy of a broker may produce all the dismay and confusion of an earthquake. In our states of "high prosperity," we have been compared to an inflated balloon—stick a pin in it and the whole goes off in a whizz and a crack and a sputter, leaving nothing but emptiness and collapse, in place of the round, elastic air-ship that could shoot into the clouds and outstrip the bird of Jove.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. XII.

Friday. Hearing that a certain Loco Foco was going to make a demand on our bank for specie, I determined to be equal with him: and, borrowing a hint from Charles O'Malley, had a quantity of coin heated red hot. When Loco made his appearance, Teller asked him very politely "would he have gold or silver, American or foreign?" "American gold, if you please," said Loco. Teller accordingly shovelled it out to him. "How beautiful it looks," said Loco, but the sensation he received on touching the first half-eagle was such as I hoped would cure him of his hard money fever then and forever. I saw the whole transaction, peeping from behind a screen in one corner of the bank, and was near bursting with laughter.

Loco remonstrated with Teller in such terms that I deemed it prudent to step forward. Told Loco that we had literally complied with the provisions of the law. Congress had not said what temperature the coin should bear, in order to make it a legal tender, and we had a right to pay it out hot or cold as we saw best. But perhaps he would prefer American silver, or may be foreign gold? Either was ready for him, and we were anxious to oblige the public in every way in our power.—Loco thanked me: stepped out of the bank, and in a few minutes returned with a *coal scuttle*, in which he carried off his American gold in triumph.

These Locos, these Locos! There is no coming over them, any how.

Saturday. Had the pleasure of being present to-day at a conversation between McThwackem, and a noted Loco. How Mac did put it into him! "Your leading men," said he, "your Calhouns, your Bentons, and others, are, I admit, sensible enough on most questions; but on the subject of hard money they are downright mono-maniacs.—Not that I would be understood to say that they are wrong in the *abstract*. I have always said that it would have been better if paper money had never been introduced. But we *must* conform to circumstances; and in the present degenerate state of society, the old Adam will show itself, and we must have some chimneys to let off the smoke of human corruption. In certain countries in which there are no paper money bankers, there are banditti, and who knows but we should have them in the United States, if our present banks were abolished? In a debate in the British Parliament on this subject, some of the Lords explicitly asserted that the decrease of highway robbery in England was owing to the establishment of paper money banks: and Thomas Moore, the celebrated poet, deemed the opinion of so much importance, that he has embalmed it in verse.—

"'Much grave apprehension expressed by the Peers,
Lest—calling to life the old Peachums and Lockitts—
The large stock of gold we're to have in three years,
Should all find its way into highwaymens' pockets!'*

"Now I ask, which is worst, to suffer what the community suffer at present from paper money banking, or to have the Directors of many of our banks formed into banditti, with their Presidents at the head of each troop, acting as captains over them, infesting the highways between the principal cities, robbing and perhaps doing personal violence to travellers, and carrying off women to the mountains? Take my word, my friend, it is far better to endure the ills we suffer than fly to those we know not of."

Loco replied that for his part he would prefer the bandits to the bankers. Against the wiles of the former, he might be able to guard; against those of the latter, there was no protection." I admit," said he, "the high personal respectability and excellent moral character of many of them as men, but the *system* which they work under is so evil in its very nature that the highest intelligence and the staunchest integrity in those that manage it, cannot prevent its being pestiferous to society.

* "Another objection to a metallic currency was that it produced a greater number of highway robberies.—*Debate in the Lords.*

"Reverend Sir," said Loco, addressing Dr. McThwackem in the most respectful manner,—"Reverend Sir, permit me to call your attention to a volume entitled, "*An Inquiry into the Principles of the Policy of the Government of the United States*," written about the year 1811, but not published till the year 1814. The author, John Taylor, of Caroline County, Virginia, was a soldier of the revolution, a farmer, a lawyer, and a Senator of the United States. Of all American writers on the philosophy of politics, he is the deepest. He treats at large of paper money banking, and in my opinion expresses the exact truth when he declares that "A nation exposed to a paroxysm of conquering rage, has infinitely the advantage of one subjected to this aristocratical system. One is local and temporary: the other is spread by law, and is perpetual. One is an open robber, who warns you to defend yourself: the other a sly thief, who empties your pockets under pretext of paying your debts. One is a pestilence which will end of itself: the other is a climate deadly to liberty.

"After an invasion, suspended rights may be resumed, ruined cities rebuilt, and past cruelties forgotten: but in the oppression of the aristocracy of paper and patronage, there is no respite. So long as there is any thing to get, it cannot be glutted with wealth. So long as there is any thing to fear, it cannot be glutted with power. Other tyrants die: this is immortal."

What surprised me was, that McThwackem made no reply to this silly farrago of Loco. He, however, gave a *shrug* with his shoulders, which shrug spoke volumes: and would have been a sufficient answer to Loco, if the latter had railed on for an hour.

BUBBLE BLOWING.

BY THOMAS MOORE.

Come with me, and we will blow
Lots of bubbles, as we go;
Bubbles, bright as ever Hope
Drew from fancy—or from soap;
Bright as e'er the South Sea sent
From its frothy element!
Come with me, and we will blow
Lots of bubbles, as we go.
* * * * *
Puff the bubbles high in air,
Puff them well to keep them there.
* * * * *
See! but hark, your time is out
Now, like some great water spout,
Scattered by the cannon's thunder,
Burst ye bubbles, all asunder.

BUENOS AYRES.

Buenos Ayres offers, at this time, the rarest inducements for emigrating financiers of any place on the map of the world. Indeed, we doubt whether, since the days of the South Sea Bubble, or John Law's Mississippi scheme, any place has enjoyed so near the perfection of banking and paper money prosperity as this place. A cartman charges one hundred paper dollars for hauling a load within the corporation; wheat is selling at $190 to $200 per fanega, (about 3½ bushels) and bran $120 for the same quantity. The cartage of water from the river to the heart of the city—a distance of a few hundred yards—is worth $45 to $50 per load. Tomatoes sell for $1 each. Spanish doubloons are worth $296. If this is not a place where paper money patriots can flourish, the history of the world never afforded one. For the last five hundred years there has not been such a chance. Shipping Company and Brandon would pass currently, Railroad and Union would be at a large premium, and Blue Blacks, Planters and Agricultural would be considered crown jewels.—*Free Trader.*

GEORGIA.

In Sumpter county, the records of the court have been stolen and burned; the Deputy Sheriff kidnapped, and sales of property by the Sheriff forcibly prevented.

"The people," says an eye witness, "were harangued by some man, whom I could not see, forwarning persons not to bid for property. It is impossible to tell how many were determined to prevent a sale—unless to suppose that a majority acquiesced in it. One man I saw, who, with a most barbarous look and gesture, absolutely forbade any bidding whatever. I knew him not, but I never shall forget his visage. A mad wild-cat could not have looked more demon-like,—his teeth gritted as he spoke, and he shook his head and threatened that the man who dared to bid should be *well mobbed*. The man was a stranger to me. I was interested in the Sheriff's sale, but felt that if I bid, it would be at the peril of my life. Some eight or ten stood round as *spokesmen*, and as the Sheriff would offer an article of property for sale, they would say "*no bid*." So that out of an advertisement of two or three columns in a newspaper, the Sheriff sold but two tracts of land—one for five dollars and the other for fifty, which was permitted, as it was only to perfect titles."

Such are the consequences of involving people in debt, through the paper money system.

MICHIGAN.

In August, it is said, about two million acres of land in this State, will be sold for the taxes.

The Governor has issued his proclamation calling upon the holders of a five million loan of this State to return $2,657,039 76 of its bonds, that being the amount of damages sustained from the failure of the contracting parties with which the loan was negociated; or to return the whole amount, and receive new bonds for the balance. $2,342,960 24—in which case they shall receive in payment, at their option, and the consent of the Legislature, any portion of the public works at cost or a fair valuation, or a portion of the public domain ceded by the General Government to Michigan.

TENNESSEE.

The offices of the Circuit and County Court Clerks of McMinn County, in this State, were entered on the 8th of May, and all the books and papers belonging to the Circuit Court were burned.

PENNSYLVANIA.

The history of paper-money banking is, from beginning to end, nothing but a history of folly and wickedness; but there is nothing in it which, for *downright stupidity*, equals our late resumption movement in Pennsylvania. After a covenant had been made with the banks, allowing them to violate with impunity all their obligations, they were suddenly called on to resume specie payments, without allowing them time even to settle the balances due by one to another. The consequence is that some have resumed, and some have not resumed; and the loss which the citizens of the State have in various ways sustained through the legislation of the last session, cannnot be estimated at less than five million dollars.

The Legislature meet again in June, and then if the people escape with a loss of ten millions, they may think themselves happy. The State is in reality *bankrupt*, but neither the Governor nor the Legislature seem to be aware of the fact; and the ways and means they resort to, are such as have a tendency to increase the difficulties of both the State and the people.

Is this owing to *simple* stupidity? Some think not, and affirm that it is owing to stupidity on the part of some of the actors, and wickedness on the part of others. Our internal improvement system seems to be almost as corrupt and corrupting as our banking system. The jobbing and the favoritism it gives rise to, and the manner in which it increases Executive influence, make some Pennsylvanians almost regret that rail roads and canals were ever invented.

It is to this jobbing interest, it is said, that we owe the resumption movement, which was intended, not in reality to bring about a resumption of specie payments, but to coerce the banks into the issue of another batch of relief notes for the benefit of the jobbers. If so, there was wickedness as well as stupidity in the movement, and the manner in which it has reacted on those most deeply concerned in it, is hardly to be regretted.

But for the condition of things in Pennsylvania, we might hope for a speedy restoration of at least an *appearance* of prosperity throughout the country. But Pennsylvania is *the Keystone State.*—Its fiscal and monetary affairs are in a deplorable condition, and the Legislature holds *two* sessions a year to make them worse.

KENTUCKY.

In this State, the effects of the bank revulsion appear to be very sensibly felt. The inhabitants of Bedford County, assembled in public meeting, declare that "the people of this county and commonwealth, are now laboring under great pecuniary embarrassment, *such as the oldest citizens have never before witnessed.*" The inhabitants of Owen County, say "that the pecuniary condition of the country requires immediate legislative intercession to preserve from utter ruin thousands of meritorious and worthy and honest citizens."—Other county meetings have made similar declarations.

The sufferers propose that relief shall be afforded by the establishment of a Citizens' Bank with branches! They seem to forget that the Government of Kentucky has sunk all its capital and all its credit in unproductive rail-roads and canals, and in the stock of the present chartered banks.

THE FOREIGN NEWS.

Distress still continues in the manufacturing districts; but the reduction of the rate of interest by the Bank of England has had its usual effect on the money market. It is with difficulty, it is said, that investments can be made in London at 2½ per cent. per annum.

This plentifulness of currency in England may lead to some expansion on the part of the banks of New York and New England, and afford the banks in the other States, considerable aid in resuming and sustaining specie payments.

The low rate of interest in London, may surprise many of our readers. It is owing, in part, to the extensive use there made of business notes, not as *money*, in the strict sense of the term, but as a *commercial medium.* They pass from hand to hand, not by simple transfer, but by endorsement. Every transfer that is made, gives an additional guarantee that the note will ultimately be paid. Thus the security they afford is much better than that of our bank notes. And as they serve at the same time as an *investment*, and a *commercial medium*, the desire of many to possess them, is greater than the desire to possess money.

Our own merchants, if they did but know it, might, out of their own business paper, create a circulating medium which would be much better in large transactions than bank notes. Thereby they would save nearly the whole amount of interest they now pay to the banks.

An old established bank at Leith, in Scotland, has stopped payment.

BANK FAILURES.

The Bank of Lewis County, New-York, is broken. Its notes are at 25 per ct. discount. The Farmers' Bank at Amsterdam, N. Y., has also stopped payment.

In a former number, we mentioned the failure of the Bank of Columbus, Georgia. A committee of citizens of that place, "after a thorough and patient investigation of the affairs of the bank, item by item, debt by debt, and liability by liability, feel authorized to express their unequivocal belief that the bank has undoubted means to pay," and, as they believe, "within the next twelve months, every debt against her: and that after the payment of every liability, the stock will be worth at least 87½ per cent. on the dollar."

BANK DEFAULTS.

Levis, the ex-cashier of the Schuylkill Bank, is at present in Philadelphia; and as all legal restraints on him as a witness have been removed, it is expected that he will make some interesting disclosures.

According to an article in one of the daily papers, Levis was a mere *agent* of the Schuylkill bank

in the issue of the spurious stock of the Bank of Kentucky. When the Philadelphia banks resolved, in June 1833, to resume specie payments on the 13th of August following, the Schuylkill Bank was deeply in debt to the others. As "failure or *financiering* was the alternative, a suggestion was made for raising $150,000 in New-York, on a pledge of Kentucky Bank stock at four months. Accordingly, an *over issue* was made in July, 1838, upon which were obtained $100,000. This process was continued till the debt to the other banks was reduced from $500,000 to about $120,000, all of which was due to the Bank of the United States, which agreed to give time for collecting the amount from the debtors of the Schuylkill Bank. At this time it was believed, in the Schuylkill Bank, that the United States Bank, and some of the other large banks intended to extend their issues, and that the result would be an abundance of money. But as these banks were obliged to *curtail* instead of *extending*, and as the United States Bank pressed the Schuylkill Bank for its balance, the latter '*felt the necessity*' of issuing *more stock* of the Kentucky Bank."

There is nothing incredible in this story.—"Skin for skin," saith Satan, "all that a man hath will he give for his life;" and we must expect a bank to give as much to preserve its existence.—There is a President, a Cashier, and twelve Directors, and the responsibility when divided among them becomes so small, that it is to each as nothing. And then, some of the parties concerned, need know nothing about it: or if they do know, they need not *appear* to know. &c., &c.

But while certain persons were doing so much for the Schuylkill Bank, did they do nothing for themselves? The receipts Levis has to show, do not appear to amount in all to more than 500,000 dollars, while the losses which the Bank of Kentucky has sustained through its Philadelphia agency, are said to be in the aggregate, $1,300,000. What went with the rest of the money?

Farrington, the late President of the Gallipolis Bank, has been sentenced to six years imprisonment in the Ohio Penitentiary.

"We are informed," says the Indiana State Sentinel, "that R. A. Mullikin, late cashier of the Lafayette branch of the State Bank of Indiana, is a defaulter to the amount of one thousand dollars. The Branch, it is said, has no remedy upon his securities; as he got his official bond in some way from the President of the branch, and has gone to parts unknown."

The cashier of one of the branches of the Planters' Bank of Tennessee, is said to be a defaulter to the amount of 20,000 dollars.

"We are informed," says the New-Orleans Advertiser, "that the Branch Bank of Louisiana, at St. Francisville, has been robbed of some eighty thousand dollars or more. The cashier, it seems, allowed persons to overdraw: at least, so goes the story. He has been dismissed, it is said, from the employ of the Branch."

ACKNOWLEDGEMENTS.

Our thanks are due to the Hon. Edmund Burke, and the Hon. Almon H. Read of the U. S. House of Representatives, for public documents.

Saturday, May 21, 1842.

BANKS OF	AT NEW YORK.	PHILAD'A.
Maine	⅜ a ½ dis.	1 a — dis.
New Hampshire	⅜ a ½ dis.	1 a — dis.
Vermont	— a ½ dis.	1 a — dis.
Massachusetts	⅜ a ½ dis.	1 dis.
Rhode Island	⅜ a ½ dis.	1 dis.
Connecticut	⅜ a ½ dis.	1 dis.
New York City	Standard.	¼ a — dis.
New York State	par a 1 dis.	1 a 4 dis.
East Jersey	— a ½ dis.	1 a — dis.
West Jersey	— a 1 dis.	Par a 2 dis.
Philadelphia	— a ⅜ dis.	Standard.
Pennsylvania, East	— a — dis.	Par a 15 dis.
" West	— a — dis.	5 a 25 dis.
Delaware	— a ½ dis.	Par.
Baltimore	½ a — dis.	¼ dis.
Maryland	— a 5 dis.	Par a 5 dis.
District of Columbia	— a 1 dis.	1½ dis.
Virginia	— a 9 dis.	— a 6 dis.
" West	15 a 20 dis.	15 a 25 dis.
North Carolina	— a 6 dis.	6 a 6½ dis.
South Carolina	— a 3 & 4 dis.	3½ a 4 dis.
Georgia	— a 5 dis.	4 a 40 dis.
Alabama	— a — dis.	22 a 25 dis.
Louisiana	10 a 25 dis.	3½ a 15 dis.
Mississippi	— a — dis.	— a — dis.
Tennessee	— a 25 dis.	18 a 20 dis.
Kentucky	— a 10 dis.	8 a 10 dis.
Missouri		10 dis.
Illinois	— a 50 dis.	50 a — dis.
Indiana	— a 15 dis.	25 a — dis.
Ohio	— a 10 & 15 dis.	10 a 15 dis.
Michigan	— a 10 & 20 dis.	10 a 18 dis.
American Gold, (new coinage).	Par a —	par a —
Sovereigns	4.85 a ——	4.85 a ——
Heavy Guineas	5.00 a 5.05	5.00 a 5.05
Spanish Doubloons	16.00 a 16.40	16.25 a 16.50
Patriot Doubloons	15.60 a 15 75	15.60 a 15.80
Spanish Dollars	2 a 4 pr.	— a 2 pr.
Mexican Dollars	⅛ a ½ pr.	par
Five Franc Pieces	93 a 94 cents	93 a ——
Half Dollars	Par.	par
BILLS OF EXCHANGE ON		
London	— a 8½ pr.	8 a 9 pr.
France	5.30 a 5.32½	5.30 a 5.32½
Holland	39½ a —	39 a 39¼
Hamburg	35 a —	35¼ a ——
Bremen	76 a 76¼	75¼ a 75½
Boston	Par a ¼ dis.	par a ¼ pr.
New York		par a ⅛ pr.
Philadelphia	par a ½ dis.	
Baltimore	⅛ a ¼ dis.	¼ a ⅜ dis.
Richmond	6 a 6½ dis.	6 a — dis.
North Carolina	3 a 3¼ dis.	
Charleston	1½ a 1¾ dis.	3½ a — dis.
Savannah	2 a 2¼ dis.	6 a — dis.
Augusta	2 a 2¼ dis.	
Columbus	17 a 18 dis.	
Macon	17 a 18 dis.	
Mobile	18 a 19½ dis	22 a — dis.
New Orleans	5½ a 6 dis.	7½ a — dis.
Natchez	nominal	no sale.
Nashville	15 a 16 dis.	18 a 20 dis.
St. Louis	5 a 6 dis.	
Louisville	5 a 5½ dis.	7½ a — dis.
Cincinnati	8 a 8¼ dis.	9 a — dis.
Michigan	nominal.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	5½ a 10½	8 a 10
Mobile	5½ a 10½	8 a 9¼
Upland	5½ a 9¼	6 a 9¼
Flour, Western Canal, per bbl.	6.06¼ a 6.25	5.75 a 5.81
Philadelphia	—— a ——	5.75 a 5.87½
Rye Flour	3.50 a 3.62½	3.50 a 3.62½
Indian Meal	2.87½ a 3.12½	2.69 a 3.00
Grain—Wheat, per bush.	—— a 1.29	1.26 a 1.31
Rye	65 a 66	63 a 71
Corn	58 a 64	53 a 58
Oats	35 a 44	40 a 42
Iron, Amer., Pig, No. 1, per ton	26.50 a 31.50	26.00 a 31.50
Bar rolled	75.00 a ——	80.00 a 85.00
Lead, Pig, per lb.	3⅜ a 3½	3⅜ a 3½
Tobacco, Richmond, per lb.	2½ a 6	3 a 6½
North Carolina	2½ a 5	
Kentucky	2½ a 6½	2½ a 6½
Wool, American, Merino, per lb.	31 a 33	32 a 35
Common	18 a 20	27 a 30
Whiskey, Rye, per gal.	15 a 16½	17 a 18
Provisions, Mess Beef, per bbl.	7.25 a 8.00	7.50 a 8.00
Mess Pork, per bbl.	7.25 a 9	7.50 a 8.00
Hams, per lb.	6 a 7	4½ a 7
Lard, per lb.	5¾ a 7	5¼ a 7
Cheese, per lb.	7 a 8	9¼ a 10
Rice, per lb.	2¾ a 3¼	3 a 3½

While the country was in this condition, it was impossible for banks maintaining specie payments to make any great addition to their issues. In point of fact, the actual increase of bank currency in 1824 and 1825, appears not to have been very great: but the state of affairs was not such as to admit of any increase of credit dealings, without jeoparding a great variety of interests. It was owing to this, that, though the expansion was such as might under other circumstances have been regarded as inconsiderable, the effects of the necessary reaction were felt through the greater part of the year 1826, in a general dulness of business. In the southern States, the consequences were most trying, as the high price of cotton had led to an over extension of the culture of that article, and as the planters, encouraged by the demand for their staple, had plunged themselves in debt to support a splendid style of living. The manufacturers of cotton were, also, great sufferers. Cotton cloth which it cost 18 cents a yard to import in 1825, was imported in the spring of 1826, at 13 cents. It was said that of four thousand weavers employed in Philadelphia in 1825, not more than one thousand had employment in May 1826.

It must be admitted, however, that the reaction was attended with one good effect, and that was, in checking the operations of the New-York speculators. Unaffected by all the disasters which the community were suffering, they made application to the Legislature, at the session commencing in January, 1826, for charters for *twenty-seven* new banks in the city of New-York, with nominal capitals of 22,500,000 dollars; for *thirty-seven* new banks in the other parts of the State, with nominal capitals of 13,250,000 dollars; for *twenty-six* other joint stock companies in the city of New-York, with capitals of 14,350,000; and for *thirty-three* in other parts of the State, with capitals of 5,437,000 dollars, making in all 123 banking and other joint stock companies, with nominal capitals of the amount of 55,537,000 dollars. The Legislature having at its previous session incorporated *twenty-two* banks and loan offices, and *twenty-six* insurance companies, prudently refused to extend the system any further for the present.

The wisdom of this course soon became manifest. In April, 1826, the Marble Manufacturing Company, a newly instituted, bond-issuing concern, became bankrupt.—This was followed in July by the bankruptcy of the Dundaff and New Hope Banks of Pennsylvania, the Jersey City Bank, and Patterson Bank of New-Jersey, the Green County Bank of New-York, the United States Lombard, the Franklin Manufacturing Company, the Hudson Insurance Company, and the New-York Life Insurance Company; these were again followed, in August and September, by the bankruptcies of the New-York Mount Hope Loan, the Sun Fire Insurance, the Greenwich Insurance, and the Protection Fire Insurance Company.

When an injunction was issued in the case of the Tradesmen's Bank, a run commenced on all the banks of the city of New-York. It is probable that if they had been exposed to such a run twelve months sooner, very disastrous consequences would have ensued. But by this time the foreign demand for specie had abated. The exports of gold and silver from the port of Philadelphia in the months of June and July were only 500,501 dollars, against 2,136,151 in the corresponding months of 1825. Credit dealings having been diminished, and the amount of specie in the country having been increased, the New-York City banks were enabled to save themselves, and thereby to save all the banks from Maine to Louisiana; for a stoppage of payment by them, would have produced a run on all the banks in the Union.

The bankruptcy of some of the New-York moneyed corporations, revealed secrets to the public which led to a legal investigation, and as it is always the practice of the world to punish unsuccessful villainy, some of the concerned were severely dealt with. Previous to passing sentence on them, Judge Edwards made the following observations: "During the trials which have taken place at the present term of this court, we have witnessed displays of depravity on the part of the agents of moneyed institutions of the most appalling nature. As common as crimes are in all great cities, yet this community was not prepared to expect from the *class of society* to which the perpetrators of these crimes belonged, a *burst* of such iniquity. Their offences have been characterized by breaches of official and personal confidence; by a course of misrepresentation and deception systematically pursued, and by injurious and crafty devices which no ordinary prudence could guard against. Nor was this all.—Among the actors in those scenes were some of the principal agents in the management of moneyed institutions, and they have been found actually combining and conspiring together for the accomplishment of their nefarious purposes.

"From combinations of men of so much

2*

talent, availing themselves of their high standing, it is not surprising that they should have swept society with the besom of destruction. When crimes of such character, attended with such destructive consequences, abound, it behooves the tribunals of justice to gather themselves up to meet the occasion, and to extend, as far as in them lies, the protecting arm of the law."

The court sentenced two of the persons who were convicted to imprisonment for two years, and two others for one year.

A writer in a New-Hampshire paper says, after briefly relating these facts—"In some of the other States, justice has too long slumbered. The guilty have escaped with impunity, but the innocent and unsuspecting have been plundered without redress."

CHAPTER XX.

Of Banking from 1826–27 *to* 1828–29.

Mr. John F. Watson, the cashier of the Bank of Germantown, in his "Annals of Philadelphia," gives the following testimony of an ancient lady, respecting the manner in which commercial affairs were conducted previous to the revolutionary war. "If a citizen failed in business it was a cause of general and deep regret. Every man who met his neighbor spoke of his chagrin. It was a rare occurrence, because honesty and temperance in trade were then universal."

In another part of his book, Mr. Watson speaks of the changes which have in this respect taken place, within his own short period of observation. "When I was a boy," he says, "as none got suddenly rich by monopolies, they went through their whole lives gradually but surely augmenting their estates, without the least fear of misfortune or bankruptcy. When it did rarely occur, such was the surprise and general sympathy of the public, that citizens saluted each other with sad faces, and made their regrets and condolence a matter of common concern. An aged person has told me, that, when the proprietor of that large house, formerly the post-office (now the National Hotel) at the corner of Chestnut street and Carpenter's Court, suddenly failed in business, the whole house was closely shut up for one week, as an emblem of the deepest family mourning, and all who passed the house instinctively stopped, and mingled the expressions of their liveliest regret. Now how are matters changed in those particulars."

They are so changed, that a certain number of bankruptcies and insolvencies in the course of a year, are regarded as being as much within the order of nature as a certain number of deaths. Periodical redundancies and scarcities of money are looked for as naturally as cold in winter or heat in summer.—If a great storm occurs, or a pestilence sweeps over the land, the journalists record it: and so they record great pressures for money; but they think no more of noting the effects of ordinary "expansions" and "contractions," than of noting the ordinary variations of the weather.

A gentleman who resided for twenty-five years in the town of Barcelona, a town which does most of the import and export business of the fertile and industrious province of Catalonia, has told us that during the whole period of his residence there, but one bankruptcy occurred. It may be difficult for many Americans of the present day to conceive such a state of things to be possible. But it *is* possible; and a faithful relation of the pecuniary vicissitudes of one of our ordinary years, might be received as incredulously by many plain Swiss and Hollanders, as some Americans receive accounts of countries and cities where bankruptcies and insolvencies are events of rare occurrence.

But to return to our narrative. By September, 1826, the violence of the reaction which followed the expansion of 1824–25, had subsided: and through the year 1827, things went on smoothly. The two first months of 1828, also passed over without any convulsion: but in the beginning of March, a sudden and unexpected scarcity of money was felt in Philadelphia.

If we were engaged in frequent wars, or if the state of the world at large was such as it was in the twenty years which followed the French revolution, ingenuity might be able to give a plausible view of the causes of the frequent scarcities of money, independent of the operations of banking institutions. But we have enjoyed peace for seventeen years in succession. Most other commercial countries have been in the enjoyment of peace. It has, therefore, become impossible to conceal from observers, the effects which paper-money banking institutions have on commercial affairs. That the scarcity of money in 1828 was owing to their operations, was so evident, that nobody doubted it, nobody disputed it. No other cause could be assigned for it. And Mr. Biddle, the president of the United States Bank, published an essay in the National Gazette, on the 10th of April,

in which he gave the following elegant and lucid exposition of one of the causes of the evils the community was then suffering.

"The question is, what is the cause and the nature of the present scarcity of money?

"The answer is easy.

"The currency of the United States consists of coin, and of bank notes promising to pay coin. As long as the banks can always pay the coin they promise, they are useful, because, in a country where the moneyed capital is disproportioned to the means of employing capital, the substitution of credits for coins enables the nation to make its exchanges with less coin, and of course, saves the expense of that coin. But this advantage has by its side a great danger. Banks are often directed by needy persons, who borrow too much, or by sanguine persons, anxious only to increase the profits, without much pecuniary interest or personal responsibility in the administration. The constant tendency of banks is, therefore, to lend too much, and to put too many notes in circulation. Now the addition of many notes, even while they are as good as coin by being always exchangable for coin, may be injurious, because the increase of the mixed mass of money generally occasions a rise in the price of all commodities. The consequence is, that the high price of foreign productions tempts foreigners to send a large amount of their commodities, while the high price of domestic productions prevents these foreigners from taking in exchange a large amount of our commodities. When, therefore, you buy from foreigners more than they buy from you, as they cannot take the paper part of your currency, they must take the coin part. If this is done to a considerable extent, the danger is that the banks will be obliged to pay so much of their coin for their notes as not to leave them a sufficient quantity to answer the demand for it, in which case the banks fail, and the community is defrauded. To prevent this, a prudent bank, the moment it perceives an unusual demand for its notes, and has reason to fear a drain on its vaults, should immediately diminish the amount of its notes, and call in part of its debts. So, on a large scale, when the banks of a country perceive such a demand for coin for exportation as diminishes too much the stock of coin necessary for their banking purposes, they should stop the exportation. This they can always do if their affairs have been well managed: and here lies the test of bank management.

"The law of a mixed currency of coin and paper is, that when, from superabundance of the mixed mass, too much of the coin part leaves the country, the remainder must be preserved by diminishing the paper part, so as to make the mixed mass more valuable in proportion. It is the capacity of diminishing the paper which protects it. Its value consists in its elasticity—its power of alternate expansion and contraction, to suit the state of the community; and when it loses its flexibility, it no longer contains within itself the means of its own defence, and is full of hazard. In truth, the merit of a bank is nearly in proportion to the degree of this flexibility of its means. If a bank lends its money on mortgages, on stocks—for long terms, and to persons careless of protests, it incurs this great risk, that, on the one hand, its notes are payable on demand, while on the other, its debts cannot be called in without great delay—a delay fatal to its credit and character.—This is the general error of banks, who do not always discriminate between two things essentially distinct in banking, a debt ultimately secure, and a debt certainly payable. But a well managed bank has its funds mainly in short loans to persons in business—the result of business transactions—payable on a day named, which the parties are able to pay and will pay at any sacrifice, in order to escape mercantile dishonor. Such a bank has its funds, therefore, constantly repaid into it, and is able to say whether it will or will not, lend them out again.

"A bank so managed, if it finds too much demand for its coin to go abroad, begins by not lending more than it receives every day, and then goes farther, by not lending as much as its income, declining to renew the notes of its debtors, and obliging them to pay a part of the whole: making it a rule to keep its discounts within its income. The operation proceeds thus: by issuing no new notes, but requiring something from your debtors, you oblige them to return to you the bank notes you lend them, or their equivalents. This makes the bank notes scarcer—this makes them more valuable—this makes the goods for which they are generally exchanged less valuable—the debtor, in his anxiety to get your notes, being willing to sell his goods at a sacrifice—this brings down the prices of goods, and makes every thing cheaper. Then the remedy begins. The foreigner, finding that his goods must be sold so low, sends no more. The American importer, finding that he cannot make money by importing them, imports no more. The remainder of the coin, of course, is not sent out after new importations, but stays at home, where it finds

better employment in purchasing these cheap articles; and when the foreigner hears of this state of things, he sends back the coin he took away. He took it away merely because your own domestic productions were so high that he could not make any profit in his country by taking them. But when the news reaches him that his productions are very cheap in our country, he will also learn that our productions are cheap too, and he sends back the coin to buy these cheap productions of ours. We, therefore, get back our coin by diminishing our paper, and it will stay until drawn away by another superabundance of paper. Such is the circle which a mixed currency is always describing. Like the power of steam, it is eminently useful in prudent hands, but of tremendous hazard when not controlled; and the practical wisdom in managing it lies in seizing the proper moment to expand and contract it—taking care, in working with such explosive materials, whenever there is doubt, to incline to the side of safety.

"These simple elements explain the present situation of the country. Its disorder is over-trading, brought on by over-banking.—The remedy is to bank less, and to trade less.

"During the last year, money was very abundant—that is, the demand for coin being small in proportion, the banks distributed freely their discounts and notes. This plenty concurred with other causes, especially the expectation of a new tariff, to induce an increased importation of foreign goods, and at the same time, furnish great facility for procuring them on credit. For instance, in the difficulty of procuring profitable investments, there were found capitalists who exported the coin of the country, and sold their bills for it on credit—thus obtaining a small profit on the shipment, and a greater on the discount of the notes taken for their bills. This fraction of a per centage on the shipment of coin, seems to be a trifling gain for the great inconvenience to which it often subjects the community; but the profit, though small, is lawful, and no odium should attach to the agents, for the operation is often a wholesome corrective of excessive issues of paper. The effect was, that by the month of February, the exportations of specie to France and England had become unusually large, amounting, probably, in the preceding twelve months, to between four and five million dollars; and great importations were constantly arriving, and which, when sold, would require remittances to Europe. Hitherto, at this season, the demand for exchange had been supplied by the bills drawn on the produce of the south, when shipped to Europe; but this year the crop, and with it the bills produced by it, has come tardily into the market, so that the demands of exchange for the proceeds of the arriving shipments were directed immediately to the exhausted vaults of the banks. Such an effect was to be averted without loss of time. The directors of the bank of the United States, as was their natural duty, were the first to perceive the danger, and the bank was immediately placed in a situation of great strength and repose. The State banks followed its example. They began by restraining their loans within their income, and gradually and quietly decreasing the amount of them, and more especially directing their retrenchments on those whose operations were particularly connected with the exportations they desired to prevent. The course of business has been this: a merchant borrows from the banks and sends abroad $100,000 in coin, or he buys bills from one who has shipped the coin. With these he imports a cargo of goods—obtaining a long credit for the duties—sends them to auction, where they are sold, and the auctioneer's notes given for them. These notes are discounted by the banks, and the merchant is then put in possession of another $100,000, which he again ships, and thus he proceeds in an endless circle, so long as the banks, by discounting his notes, enable him to send the coin, and tempt him to do so, by keeping up prices here by their excessive issues. The banks, therefore, begin by diminishing or withdrawing these artificial facilities, leaving the persons directly concerned in this trade to act as they please with their own funds, but not with the funds of the banks. The immediate consequence is, that the auctioneers can no longer advance the money for entire cargoes—that they no longer sell for credit, but for cash—that the price of goods falls—that instead of being sold in large masses, they are sold slowly and in small parcels, so that the importer is not able to remit the proceeds in large amounts. This diminishes the demand for bills and for specie to send abroad. In the meantime, the importer, finding the price of his goods fall, imports no more; and the shipper of coin, finding less demand for exchange, and that he can make more of his money by using it at home than by exporting it, abstains from sending it abroad. Time is thus gained till the arrival of the southern exchange, which will supply the demand without the aid of the coin, and then every thing resumes its accustomed course.

"This is the point to which the present measures of the banks are tending. The purpose must be accomplished, in a longer or shorter time, with a greater or less degree of pressure, but the effect must and will be produced."

This account, *mutatis mutandis*, will serve for a history of banking in almost any year. "*Such is the circle a mixed currency is always describing.*" The only difference is, that the circle is sometimes wider and sometimes narrower.

"*The constant tendency of banks is to lend too much, and to put too many notes in circulation.*" Sometimes it is a demand for specie to establish a new institution at New-Orleans, that compels them to diminish their issues; sometimes it is a demand for specie for the use of the British army in Canada, sometimes the cotton crop comes in tardily—sometimes it is something else: but a year seldom passes without some cause of this kind occurring, and it is impossible in the nature of things that such causes should not occur.

It would seem from Mr. Biddle's statements in another part of this essay, that, though every thing appeared very smooth on the surface in 1827, great danger lurked beneath. Speaking of the State banks, he says, "What interest has the community in propping up many of these institutions? Let any sedate man look at the returns made this winter of the state of the banks in various parts of the United States, and then answer whether they need further exemptions from the necessity of accommodating their business to their means. * * * * * * In the present and immediate example, no man can fail to perceive that, but for the warning restriction imposed by the Bank of the United States and the leading State banks, the events of the last six weeks would have brought many of them to the verge of insolvency, whence they could only escape by some sudden shock to the community."

In 1825, the immediate danger was to the banks, and through them to the community. In 1826, the United States Bank and the leading State banks placed themselves "in a situation of great strength and repose," but the sufferings of the community were not the less severe on that account. It was, in fact, by producing sufferings in the community, that the banks placed themselves in that situation from which they regarded what was going on around them with so much complacency. The people implore them for relief, but the president of the United States Bank replied, "It is the order of nature, that if men or nations live extravagantly, they must suffer till they repair their losses by prudence, and that neither men nor banks should impose on the community by promises to pay what they cannot pay. The laws of trade have their own remedy for such disorders, as infallible as the law of animal life, which enables the human system to relieve itself from its own excesses. Both must have their course. But the Bank of the United States is invoked to assume that which, whoever attempts, deserves the ruin he will suffer. It is requested to erect itself into a special providence to modify the laws of nature, and to declare that the ordinary fate of the heedless and improvident shall not be applied to the United States. Our countrymen are to be indulged without restraint in the utmost extravagance of the luxuries of Europe, on credit from the banks; and when the day of payment arrives, the debtor shall not be called on for payment—the banks shall not be incommoded to pay their own notes, for the moment any inconvenience is felt, the Bank of the United States will certainly interpose and pay the debt. But if the Bank of the United States blends any sense with its tenderness, it will do nothing of all this."

This reply, though not very consoling, would have been unanswerable, if it had not been a fact, admitted by Mr. Biddle himself, that "the disorder of the country was overtrading, *brought on* by over-banking."

The banks continued to diminish mercantile facilities, in the month of May. In September there was another pressure on the community; and in December a great scarcity of money was felt in Boston.

The president of the United States Bank, in a letter to the Secretary of the Treasury, dated July 18th, 1829, says the office at Portsmouth, "last year was nearly prostrated in the general ruin which spread over that country. Out of 460,000 dollars of loans, 148,000 dollars were thrown under protest: still further protests were expected; and the actual loss sustained there will not be less than 112,000."

In March, 1829, there was a pressure in Philadelphia: and in the following months great apprehensions were entertained in New-York for the safety of the country Banks in that and the neighboring States. A writer in the United States Telegraph endeavored to show that the banks of the city of New-York were also in a perilous condition. The difficulties appear to have been greatest about the beginning of June. In the middle of the

month it was announced that the money market was becoming easy. Many New-York merchants were, however, compelled to make compromises with their creditors, and many mechanics were deprived of employment.

The greatest distress in this year, appears to have been in Rhode Island. The Providence Literary Subaltern, as quoted by the Philadelphia Gazette, on the 26th of June, says—"The embarrassments which have been realized in this immediate neighborhood for the last ten days, have had no parallel in the history of the republic. Men of reputed capital, who have withstood the shock of former changes and times; men who for the last forty years have stood firm, erect, and undismayed before the tempest of the times that have assailed them, are now tottering on the verge of bankruptcy and ruin. Their fall bears excessively heavy on the poor and laboring classes, who, by the way, are in reality the principal sufferers. Deprived of employment, destitute and friendless, they are thrown upon the world, and know not how to obtain a livelihood. Within the last ten days, within the circle of the ten adjacent miles, upwards of twenty-five hundred people have been suddenly and unexpectedly thrown out of employment, and the distress that such an event has produced can be far better imagined than described."

CHAPTER XXI.

Additional Particulars of the History of Banking from 1824 *to* 1829.

The professors of natural science are able to give satisfactory accounts of the general causes of heat and cold in different latitudes, and of snow and rain in different seasons, but it is in most instances beyond their power to state in what degree each of the general causes known to be in operation, has contributed to the state of the weather at a particular time and particular place. Banking is like the weather. It is affected by a variety of causes, which present themselves in different combinations. Many of these causes are of such a nature that their operation, if separately considered, would be inappreciable, though when united they produce a very sensible effect. Others are so strongly marked in their consequences, that their operation can at times be calculated with all the accuracy which is necessary for illustrating general principles.

Among these latter causes must be ranked the conflicts of the banks with one another, and their dealings with government. These are sufficient to produce great commercial embarrassments, even when there is no very great demand for specie for exportation.—We have seen that the war between the allied banks of Boston and the country banks, produced a great scarcity of money in New-England, in May, 1825, or at the very time when speculation was most active in the middle and southern States. The president of the United States Bank speaks of the "reaction, as it is called," taking place in Philadelphia, "in October." But the newspapers make mention of the pressure in July, and it is well known that it is not till sometime after great pressures begin, that mention is made of them in the public journals. Taking into consideration the facts that the pressure was felt here for some four or five months before the crisis in England, that exchanges were in favor of this country, and that during this time the English country banks were, according to Lord Liverpool, increasing their issues, we are inclined to think that some *other* cause besides the foreign demand for specie must have contributed to the reaction of 1825—at least so far as it affected the United States Bank, and through it the other banks and the community. We have a cause adequate to the effect, in the loans of ten million dollars, made by the bank to the government in 1824 and 1825. The amount may not be large, abstractedly considered, but a paper money bank which has been doing business for several years, can seldom, unless it has a surplus stock of specie, make loans for a long period, without being afterwards forced to resort to such measures as operate with great hardship on its regular customers. "The constant tendency of banks," as Mr. Biddle has correctly observed, "is to lend too much—to put too many notes in circulation." And the Bank of the United States, after having lent as much as it could to private traders, strained its credit and resources to lend to government, and thereby put more notes in circulation than the state of trade required.

The peculiar force with which the pressure of 1825 operated on the United States Bank, strengthens this reasoning. It receives additional corroboration in the fact that the reaction was over in the United States much sooner than in England: and also in the fact that the exports of gold and silver in the year 1825, exceeded the imports in only the small sum of 2,600,000 dollars, the imports for the year being $6,150,785, and the exports $8,787,055.

It must, indeed, be admitted that a very small export of specie sometimes produces *very* great confusion. Mr. Carey, in a work published in 1810, gives a striking example of this truth. "The merchants," he says, "engaged in the trade to the East Indies, made application last spring to the Bank of *the* United States for dollars to remit there, and offered a premium of one per cent. The directors took the matter under consideration, and with liberality resolved to furnish the necessary sums without premium. What was the exact amount I cannot state, but I have reason to believe it exceeded half a million of dollars. They were applauded for their liberality. But, however extraordinary it may appear, the effect of the operation was absolutely to impel some of the other banks to curtail their discounts considerably."

If our currency was metallic, the exportation of ten or twenty millions of gold and silver, would have no more effect on the general train of commercial operations than the exportation of so many dollars worth of iron and copper, for the exportation of specie would never commence till the domestic demand was fully satisfied. But now, the fitting out of a single East India ship, may derange the trade of a city: and diminishing the ordinary stock of specie in the amount of only two or three millions, may derange the trade of the country.

This may appear strange at first view, but Mr. Biddle, in his address to the stockholders of the United States Bank, in September, 1831, gives us very satisfactory reasons why a cause apparently so very trifling, should produce so very great an effect. "It is," he remarks, "the peculiarity of our moneyed system, that in many parts of the country the precious metals are excluded from the minor channels of circulation by a small paper currency, in consequence of which the greater portion of these metals is accumulated in great masses in the Atlantic cities, liable to be immediately demanded on notes previously issued in the confidence of the continuance of the same state of things which caused the abundant issue of them. At the first turn in the tide of foreign exchange, when the supply of foreign exchange is unequal to the daily demand, the vaults of the banks may be exhausted before any precaution can prevent it. These very precautions, too, consisting as they do almost exclusively of curtailment of their loans, made suddenly—mostly without concert, and always under the influence of anxiety if not of alarm, may fall with oppressive weight on the community, by the pressure in which alone can be produced the necessary reaction. This reaction, moreover, is necessarily slow, since our distance from Europe makes it less easy to restore the equilibrium than between adjoining countries in the same hemisphere."

It certainly was not by any increase of its loans to merchants that the Bank of the United States was brought into difficulty in 1825; for these loans, including in the calculation common discounts and bills of exchange, actually sustained a reduction of upwards of 300,000 dollars, between the 1st of January, 1824, and the 31st of July, 1825. By its loan of ten millions to government, the bank appears to have added to its circulation, between the dates just mentioned, only 3,277,885. But this, it seems, was two millions six hundred thousand more paper than the country could bear, for in this amount the exports of specie exceeded the imports in 1825.

It is well worthy of observation, that the total import of foreign merchandize in 1825, was, according to the custom-house returns, \$96,340,075, and the total export of domestic and foreign produce, was \$99,535,388. If allowance be made for freight of the exports, and profits on them in foreign markets, it will be seen that the "balance of trade" was decidedly in favor of the country. So that, altogether, we have in the events of the year, an example that, in time of profound peace, and when the balance of trade is in favor of the country, and when the exports of specie exceed the imports in the sum of only two or three millions, a whole community may, by the operations of paper-money banking, be brought to the very verge of insolvency.

The evils produced by banks' making loans to government, are occasional. Those produced by banks' trading on government deposits, are perpetual. These deposits vary in the amount of millions in the course of a few months. A bank may know that the government will, in the course of a short period, require its funds to pay off a portion of the public debt, or for some other purpose, but as the constant tendency of banks is to lend too much and put too many notes in circulation, a bank having possession of such funds seldom fails to make discounts on them as freely as on its own capital, trusting that when the government shall demand its own, means may be found of meeting a demand through a credit in Europe, or some other financial arrangement. The most common expedient is that of reducing commercial discounts. In the voluminous documents appended to the report made by a committee of

Congress in April, 1832, continual reference is made to changes in the operations of the United States Bank, rendered necessary by government's reclaiming its deposits for the purpose of paying off the public debt.

If the State banks should be made the depositories of the public funds, the evil would be increased instead of being diminished.—Paper money banks cannot be employed in any way as fiscal machines, without embarrassing the operations either of government or of the community, and sometimes of both. If we had a metallic currency, and if our fiscal concerns were managed without the agency of banks, the paying off of ten or twenty millions of public debt in the course of a year, would have the same effect as the paying off of ten or twenty millions of private debt—would produce benefit instead of injury. But as matters have been managed through the agency of the banks, the paying off of the public debt has indirectly contributed to the irregularities of the money market since the year 1825.

The pressure of 1828 operated with more force on the local banks than on the bank of the United States. It was, as we have reason to believe, with great difficulty that some of the principal banks of Philadelphia placed themselves in a situation of repose. As the imports of specie had in the previous year *exceeded* the exports, the imports having been $8,151,130, and the exports $7,971,307, while the total value of exports of every description was $82,324,827, and of imports only $79,484,068, we cannot resist the conclusion that the difficulties of 1828 were, as well as those of 1825, owing in a great measure to domestic causes. The pressure in that year appears to have been independent of any movements in Europe. Money was very plenty in England. The interest on commercial securities in London, in August, was only two per cent. The Bank of France had it in contemplation in November, to reduce the rate of discount to three per cent. In December, there was, indeed, a pressure in both France and England, but our difficulties commenced in the early part of the year. The foreign demand for specie could not have been great, as the exports of gold and silver in the whole year amounted to $7,550,339, and were nearly balanced by the imports, which amounted to $7,489,741.

To account for the difficulties in the year 1828, it is necessary to take into consideration a fact which was mentioned by Mr. Biddle in the verbal expose he gave to the stockholders of the United States Bank, at their meeting in August. He then stated that the circulation of the Bank had been increased, between August, 1822, and August, 1828, from 5,400,000 dollars, to upwards of 13,000,000, and that this had been effected, without adding any thing to the aggregate amount of currency, but simply by displacing an equal amount of the notes of the local banks. Admitting this to be the fact, we have a satisfactory reason for the pressure felt by the other banks of Philadelphia, while the United States Bank was in a situation of great strength and repose. It was in the previous year, or 1827, that the United States Bank commenced the issue of a batch of branch drafts for the sums of five and ten dollars, by which it obtained a decided advantage over the State banks. It was thereby able, in December, 1827, to put a stop to the circulation of the notes of the Cape Fear Bank of North Carolina; and to this operation of displacing the notes of the local banks by the small branch drafts of the United States Bank, may be attributed great part of the difficulties of the year 1828. It must be evident to every person, that new and unexpected demands on the local banks by the United States Bank, must have the same effect on them as new and unexpected demands on them for specie to send abroad. The United States Bank may expand in the same proportion as the local banks contract; but it has a different class of customers, and thus, while money is made plenty with one portion of the community, it may be made scarce with another. The pressure of 1828 did not seem to affect the dealers in public stocks. Its weight fell principally on the merchants, and other productive members of society.

The difficulties of the year 1829, appear to have been owing in part to the operation of displacing the local bank notes by the branch drafts of the United States Bank, in part to local causes of different kinds in different parts of the country, and in part to the state of commercial affairs in Europe. The operations of the United States Bank are so limited in New-England, that the people of that quarter of the country must attribute the principal evils they suffer to the doings of their local banks. The people of the other States must attribute their sufferings to the combined operations of the local Banks and the Bank of the United States, bearing in mind the fact, that the United States Bank has a share in producing these evils, only in proportion to the amount of its capital, the number of its branches, the control it has of the funds of government, and the changes it makes from time to time in its mode of operation.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, June 8, 1842. No. 25.

SYNOPSIS OF BANK ACCOUNTS.

On page 386 in this number will be found a Comparative View of the Condition of all the Banks in the United States near the commencement of each year, from 1834 to 1841, inclusive. All the columns, except those for 1840 and 1841, have been taken from tables which were compiled by us while in the Treasury Department. The columns for 1840 and 1841, have been prepared, partly from materials collected in the Treasury Department, and partly from others elsewhere obtained.

All the *estimates* for 1841, have been founded on returns in previous years, the cases of some three or four banks only excepted.

In the summings up, "loans and discounts, stocks, real estate, and other investments," make the "aggregate of the investments supposed to yield income." From this sum, however, ought perhaps to be deducted a large amount for suspended debt.

The "aggregate of deposits and circulation," shows the total of the *current credits* of the banks, or the total amount of bank medium applicable to fiscal, speculative, and commercial uses.

The "aggregate of deposits, circulation, and sums due to other banks," shows the total of the *immediate liabilities* of the banks.

The *immediate means* of the banks are made up of "specie, specie funds, notes of other banks, and sums due from other banks." In calculating their power to withstand a run, bankers do not, as some suppose, compare merely the amount of their notes in circulation with the amount of their specie on hand, but the whole amount of immediate means with the whole amount of immediate liabilities.

The "immediate means" and the "investments supposed to yield income," make up "the total of means of all kinds" possessed by the banks.

The items "circulation, deposits, due to other banks, and other liabilities" constitute the total of the liabilities of the banks to the public at large. For the capital paid in and the profits acquired, the officers of the banks are accountable to the stockholders only: though these items are sometimes loosely included under the head of "bank liabilities."

The "total of the liabilities of the banks to one another, is made up of "sums due from other banks, sums due to other banks, and notes of other banks on hand."

The "nett circulation" has been obtained by deducting the amount of "notes of other banks on hand" from the gross amount of issues of the banks, or the amount returned under the general head of circulation.

The table will afford ample food for reflection. It shows such contractions and expansions of the currency in the period embraced by it as must have caused the ruin of thousands. Yet we believe it does not show the whole extent of fluctuation. If the banks all made their returns on the same day and the same hour in each year, instead of making them as they now do in different months, we should probably find the extent of fluctuation much greater than is indicated by the table.

But this is not all. In questions relating to currency, *quality* as well as *quantity* should be taken into consideration. In the first four years embraced by the table, the banks were paying specie. In the last four years, some were paying specie and some were not. To the variations in *quantity*, as indicated by this table, conjoin the variations in *quality*, as pointed out in the tables on pages 354 and 355 of this work, "showing the highest and lowest prices of bank notes at Philadelphia, in each year, from 1814 to 1841." Study these two tables well, and then say if the condition of our currency is not a disgrace to every statesman of every party, and to every man in the country.

PAPER CURRENCY IN ENGLAND.

The English have, till lately, been almost as careless as ourselves about ascertaining the extent of fluctuation in the quantity, and consequently in the value of the circulating medium. But, within a year or two, an act of Parliament has been passed, requiring periodical returns of the amount of bank notes in circulation, from which we have compiled the following table. The amounts are expressed in pounds sterling.

	Nov. 13. 1841.	Jan. 8. 1842.	April 8. 1842.
England.			
Bank of England,	17,065,000	16,293,000	16,674,000
Private Banks,	6,298,723	6,477,189	5,289,050
Joint Stock Banks,	3,421,135	3,042,197	3,047,656
Scotland.			
Private, chartered, and Joint Stock Banks,	3,383,036	3,070,075	2,670,290
Ireland.			
Bank of Ireland,	3,333,375	3,205,875	3,074,125
Private Joint Stock Banks,	2,611,614	2,515,677	2,259,556
Total,	36,112,883	34,604,013	33,014,677
Bullion in Bank of England,	4,218,000	5,619,000	7,006,000

In November, when the paper currency was greatest in amount, it was less than 175 million dollars.

Synopsis of the condition of all the Banks in the U. States, near the commencement of each year, from 1834 *to* 1841, *inclusive.*

		According to returns nearest January 1,							
		1834.	1835.	1836.	1837.	1838.	1839.	1840.	1841.
	No. of banks from which returns have been received,	406	515	559	632	663	662	719	606
	No. of branches do. do. do.	-	141	146	154	166	178	182	148
	No. of banks, the affairs of which have been estimated, for want of returns,	100	43	8	2	–	–	4	90
	No. of branches, do. do. do.	-	5	–	–	–	–	2	17
	Whole number of banks and branches in operation,	506	704	713	788	829	840	907	861
	Capital paid in,	$200,005,944	$231,250,337	$251,875,292	$290,772,091	$317,636,778	$327,132,512	$363,629,227	$335,469,514
Resources.	Loans and Discounts,	324,119,499	365,163,834	457,506,080	525,115,702	485,631,687	492,278,015	474,133,199	404,340,777
	Stocks,	6,113,195	9,210,579	11,709,319	12,407,112	33,908,604	36,128,464	43,124,895	59,676,487
	Real Estate,	10,850,090	11,140,167	14,194,375	19,064,451	19,075,731	16,607,832	26,976,779	35,010,847
	Other Investments,	1,723,547	4,642,124	9,975,226	10,423,630	24,194,117	28,352,248	26,413,782	20,400,473
	Due from other banks,	27,329,645	40,084,038	51,876,955	59,663,910	58,195,153	52,898,357	48,623,320	55,056,401
	Notes of other banks on hand,	22,154,919	21,086,301	32,115,138	36,533,527	24,964,257	27,372,966	22,672,299	31,975,905
	Specie Funds,	26,641,753	3,061,819	4,800,076	5,366,500	904,006	3,612,567	3,379,806	2,758,397
	Specie,	–	43,937,625	40,019,594	37,915,340	35,184,112	45,132,673	35,207,690	37,131,522
Liabilities.	Circulation,	94,839,570	103,692,495	140,301,038	149,185,890	116,138,910	135,170,995	116,572,790	115,905,342
	Deposits,	75,666,986	83,081,365	115,104,440	127,397,185	84,691,184	90,240,146	76,573,582	72,037,707
	Due to other banks,	26,602,293	38,972,578	50,402,369	62,421,118	61,015,692	53,135,508	45,935,406	50,324,105
	Other Liabilities,	–	19,320,475	25,999,234	36,560,289	59,995,679	62,946,248	43,485,226	43,414,320
	Aggregate of bank accounts,	816,047,441	974,643,887	1,205,879,136	1,372,826,745	1,321,535,910	1,371,008,531	1,362,728,001	1,263,501,797
	Aggregate of investments supposed to yield income,	342,806,331	390,156,804	493,385,000	567,010,895	561,760,319	573,366,559	570,648,655	519,428,584
	Excess of such investments beyond am't of capital paid in,	142,800,387	158,906,467	241,409,708	276,238,804	243,183,261	246,234,047	207,019,428	183,959,070
	Aggregate of deposits and circulation,	170,506,556	186,773,860	255,405,478	276,583,075	200,830,094	225,411,141	193,146,372	187,943,049
	Aggregate of deposits, circulation, & sums due other b'ks,	197,108,849	225,746,438	305,807,847	339,004,193	261,845,686	278,546,649	239,081,778	238,267,154
	Aggregate of specie, specie funds, notes of other banks, and sums due by other banks,	76,126,317	108,169,783	128,811,763	139,479,277	119,247,428	129,016,563	109,883,115	126,922,225
	Excess of immediate liabilities beyond immediate means,	120,982,532	117,576,655	176,996,084	199,524,916	142,598,258	149,530,086	129,198,663	111,344,929
	Total of means of all kinds,	418,932,648	498,326,587	622,196,763	705,490,172	704,358,577	702,383,122	680,531,770	646,350,809
	Total of liabilities, exclusive of those to stockholders,	197,108,849	245,066,913	331,807,081	376,564,482	321,823,365	341,492,897	282,567,004	281,681,474
	Total of liabilities of the banks to one another,	76,086,857	100,142,917	134,394,462	158,618,555	144,175,002	133,406,831	117,231,025	127,356,411
	Total of liabilities to all, except other b'ks & stockholders,	121,121,992	144,923,996	281,404,712	313,143,364	260,825,773	288,357,389	236,631,598	231,357,369
	Nett circulation,	72,684,651	82,606,194	108,185,900	112,652,363	91,174,653	107,798,029	93,900,491	83,929,437

"FREE BANKING."

We are friendly to "free banking;"—that is to say, we are friendly to a system in which every man should be at liberty to receive money on deposit, discount notes, and deal in exchanges, subject to the same responsibilities, and enjoying the same rights as persons engaged in other branches of business.

But we are not friendly to a system in which every man should be at liberty to issue notes to pass *as money*. Between *lending money* and *making money*—between *free banking* and *free coining*, there is no necessary connection. The private bankers of London, Liverpool, and Manchester, who do a business far exceeding in amount that done by the incorporated banks of New-York, Philadelphia, and Baltimore, issue no notes of their own as a circulating medium.

There are, however, gentlemen who think that all the evils the paper money system produces, are owing to the restrictions imposed upon it, or to its being carried on by corporations instead of individuals; and that if every body were at liberty to manufacture money out of rags, free competition among the rag money manufacturers would produce the same beneficial effects as free competition in the making of cloth or the raising of corn.

They forget that free competition in agriculture, the mechanic arts, and the legitimate branches of commerce, is a competition of *labor* and *capital*, while free competition in paper money banking would be little more than a competition of *cunning*.

They forget, moreover, that free competition in most pursuits is advantageous, because it cheapens commodities; but that free competition in making money, can cheapen money in no other way than by deteriorating its quality.

And lastly, they forget that free competition in most other businesses, is a competition in producing things that are *essentially good:* while free competition in producing paper money, is a competition in producing that which is *essentially evil.*

The arguments that are used by the friends of "free banking" have sometimes considerable plausibility, but they owe their plausibility entirely to their authors not distinguishing properly between the functions of money as a *mere circulating medium*, and money as a *standard and measure of value;* and to their confounding two things so essentially distinct as *currency* and *obligations to pay in currency.* It is astonishing to us that any man of general reading should confound the bank note with the bill of exchange or other business note, after the difference between them has been so clearly pointed out by Storch in his Course of Political Economy, and subsequently by Mr. Gallatin.* Yet this is frequently done by men from whom better things might be expected. Because every man ought to be at liberty to enter into obligations to *pay* in currency, they infer that every man ought to be at liberty to *create* currency!

"Banking," say they, "is a natural right, in the free exercise of which every man may luxuriate, till society, finding this luxuriance injurious to itself, chooses to impose such restrictions on it as may protect it from depredation." We do not admit this *so called* "natural right," if under it be included the liberty of creating *money* for the community, out of rags and lamp-black, or out of nothing. It would be quite as reasonable for every man to claim as "a natural right," the liberty of fixing the standards and measures of weight, length, and capacity, and of varying them as often as might suit his own *fancy*, or rather, his own *interest.*

Of *stability* of value in the currency af a country, these advocates of "free banking" seem to think but little. Every desirable object, if we may believe them, will be attained, if only the *note-holder* can be sure of receiving payment in specie whenever he may choose to demand it.—To us this appears to be an inferior consideration. If every bank note at present in existence in Great Britain and America should prove a dead loss in the hands of the holders, the evil thereby produced would be small compared with that occasioned by the use of those deceptive measures of value which cause men to place a false estimate on every thing.

But the note holder would have no such security. Because, when notes pass *as money*, few take the trouble to inquire whether they will ultimately be paid. The only inquiry each then makes, is, "*Can I pass them away to some one else?*" And as every one would hasten to get rid of those notes first of which he had the most suspicion, the notes of those private bankers whose credit was of the most doubtful character, would be likely to obtain the widest circulation. At least, such notes would, through cunning and contrivance, take the place to a great extent of those issued by the most responsible persons. "Numberless instances," says the Edinburg Review, "have occurred in the history of private banking within the last few years, in which the notes of individuals, without any real capital, and who were from the beginning in a state of insolvency, have continued to circulate for a long period in company with those of the best established houses, and to enjoy an equal degree of credit."

We had in Philadelphia, not long since, a beautiful illustration of the principle of "free banking," or rather of "free coining." Dr. Thomas W. Dyott's standing was such that he could not borrow from moneyed men, except by involving all his possessions, real and personal, in inextricable embarrassment: and yet Dr. Thomas W. Dyott's bank notes had free circulation among us. Why were people so cautious about receiving Dr. Dyott's notes of hand? Because the inquiry concerning them was, "*Will they be paid?*" Why were they so ready to receive Dr. Dyott's bank notes? Because the only inquiry concerning them was, "*Can we pass them away?*" Only give a man's paper a *circulating* form, and his credit must be very low indeed, if it does not obtain some currency. So great is the desire of men to possess money that they will grasp with avidity at almost every thing which has the form of money.

McCulloch, of Edinburg, one of the most eminent of the Political Economists of the day, has

*For the views of Mr. Gallatin, see page 59 of this publication, and also the note on page 110. For those of Adam Smith and Thomas Tooke, see the notes on page 189.

had ample opportunities of observing the operations of "free banking." His opinion of it is by no means equivocal. It is simply "FREE BANKING IS FREE SWINDLING."

The advocates of such a system in this country admit that at its commencement great frauds would be perpetrated under it, and great losses sustained through it, but they seem to think that in time the people would learn what money-makers it would be safe to trust. This is supposing that the two races of knaves and dupes will in time become extinct—a supposition that neither past nor present experience affords us any warrant for entertaining.

But suppose all our "free bankers" were men of undoubted wealth? Even then there would be insuperable objections to the system. Their notes payable on demand would circulate as do our present bank notes, and would become *money* to all intents and purposes:—that is to say, would regulate prices, and be received as a full discharge of all ordinary debts and obligations. As the quantity of these notes increased, other things being the same, prices would rise. As the quantity decreased, other things being the same, prices would fall. And the causes of this increase and decrease would be much the same as at present, for our individual money-makers would be just as eager as are our corporate money-makers to engage in stock and land speculations.

Take, however, the most favorable view of the case. Suppose them to confine themselves to banking on strictly *commercial* principles. Suppose them to discount nothing but business paper, so that every bank note they issued should be the representative of real bills of exchange, and these, in their turn, the representatives of commodities in the ware-houses of the merchants. What would then be the result? News is received from abroad of a rise in the price of flour and of cotton. A speculative demand is thereby created for these articles, by which their prices are raised previous to any increase taking place in the amount of currency. This speculative demand leads to the creation of a large amount of new business paper. This is discounted by the bankers, and then prices undergo an additional rise, through the additions made to the currency. This leads to a new speculative demand, which causes the creation of more business paper, and this in its turn a fresh issue of bank notes: and thus things go on till prices are raised so high that neither flour nor cotton can be exported and sold abroad at a profit.

Nor is this all. Through the addition made to the currency by the discounting of the notes of the flour and cotton merchants, the price of *every thing* is artificially raised, and when the necessary reaction occurs, the whole community are made to suffer.

In England, every body living beyond a certain distance from London, has, for one hundred and fifty years, had the liberty to manufacture money out of paper. But free competition in the manufacture of this kind of money in England has never given *stability* of value to it, and money which has not steadiness of value, be that money paper or metal, does more harm than good to society.

In Scotland, also, this freedom of making money out of paper has been enjoyed nearly as long as in England: and the Scotch banking system may, in every thing except the *issuing* department, be regarded as perfect. Scotch banks seldom break, and yet few banks do more evil: because the very means they take to save themselves are what ruin the people. In the town of Dumfries, in the last five years, there have been four hundred bankruptcies. Paisley, Glasgow, and other places, have also suffered immensely.

Now, if a system of "free banking," or rather of "free coining," is productive of so much evil in a country where every thing is comparatively stable, and where it is directed by Scotch sagacity, guarded by Scotch prudence, and sustained by Scotch honesty, what can be expected from it, in a country like ours, where every thing is in a state of change, where the people are certainly not deficient in sagacity, but where little can be said in favor of the prudence and the honesty of such part of them at least as would be likely to engage in any new system of paper money banking?

Away, then, with all schemes for issuing paper money, whether by Government, by corporations, or by individuals. Legitimate commerce wants them not. It creates its own medium. It imports gold and silver from abroad sufficient to effect all the payments it engages to make in gold and silver. It does, indeed, make free use of credit; but when it *promises to pay*, it fixes a *definite* time for payment, and the promise is followed by performance or protest. It has various ways of economising the precious metals, by means of bills of exchange, book entries, offices of deposit and transfer, checks, &c. &c. But in no case does it make the empty promise stand in place of the performance. Such an expedient is merely the invention of insolvent governments, scheming individuals, and monopolising corporations.

DIALOGUE I.

Deacon Graball. You must admit, Brother Maultext, that I have just as good a right to rent or interest for the money I lend, as I have to rent for the houses or lands I purchase with my money?

Rev. Dr. Maultext. Exactly so, Brother Graball. But as a good, Christian man, you ought to be content with interest on your *capital* and not expect to receive it on your *credit* also.

D. G. Why so, Brother?

Dr. M. Because, as credit is a mere contrivance by which one man's capital is transferred to another, you are, if you receive interest on your credit, receiving, in an indirect way, interest on *another man's* capital. This is what is done through the agency of our present banking system. The capital of the farmers and other producers, is, through the agency of bank notes, transferred to the traders and speculators: but interest is paid to the debtors, to those who issue the bank notes, instead of being paid, as in justice it should be, to the creditors, that is, to the holders of the notes. Through our banking system, the natural and just operations of credit are exactly inverted.

D. G. But if my credit will serve another man the same purpose as money, why should I not receive the same interest on it as on my money?

Dr. M. You may, provided your credit is in such a form as not to injure any third person or society at large. But your credit can serve another man the same purpose as money only when it becomes a species of money: and this it can do only when it takes the form of a note or draft, *payable on demand*, and passable by *simple transfer*. Such notes, whether issued by the Government, by corporations, or by individuals, become *currency*. They regulate prices and are received as full discharge of all debts: and although both the *makers* and the *borrowers* may be benefitted thereby, society at large is injured.

D. G. How so, Doctor?

Dr. M. Because, though this paper money may as a mere *circulating medium* be even more convenient than coin; it never can adequately perform the other and the most important functions of money, namely, those of a *standard and measure of value*. If "convertible paper" did, as its supporters assert, merely *displace* an equal amount of gold and silver, its issuers would be entitled to some reward for their ingenuity. But experience shows that this is not the case. Reason shows that it *cannot* be the case. As a *measure of value* it is the most deceptive that can be, and leads men to put a false estimate on every thing.

DIALOGUE II.

D. G. If I choose to take another man's *promise to pay* instead of actual payment, what right has Government to interfere?

Dr. M. Aye, aye, what right, indeed!

"Surely the pleasure is as great
"Of being cheated, as to cheat."

And since you, Deacon, so strenuously insist on your right of *being cheated*, you may be permitted to enjoy it to your heart's content. Only we cannot permit you to *cheat others*. You are at liberty to receive in payment of debts due you brick bats, corn cobs, rags, or rag money, if you will, but you have no right to impose this worthless trash on others as something possessing real value.

D. G. But are not others competent judges of what I offer them in payment?

Dr. M. Far from it, Deacon. Your long face and your long prayers impose on many. Few men are equal to you in craft and cunning. There is fraud in your heart at this very moment. In contending for your right of *receiving* another man's *promise* instead of *payment*, you have in reality the intention of making *others* receive your empty promises instead of payment. You know well enough that circulating notes, nominally payable on demand, are, in the aggregate, *never* paid. You want to make your promise go as far as another man's payment, and thereby gain a great advantage over your neighbors.

D. G. But if they of their own free will receive my promise as full payment——

Dr. M. Then, Deacon, you only make them instrumental in cheating themselves.

D. G. But if the business were thrown open to all, then every man would have an equal chance, to use your own rough language, "of cheating and being cheated;" or, as I, with more regard to decorum, would say, "of *benefitting* and *being benefitted* by paper money banking."

Dr. M. There would be some plausibility in your argument, if all men were equal, in *capital*, *cunning*, and *want of conscience*. But, as Mr. Gallatin has justly observed, if the business were thrown open to all, none but men of large fortune and sharpers could take advantage of it. Neither are entitled to such an advantage.

D. G. But, Doctor Maultext, you ought to recollect that the doctrines of *free trade* are so well established, that merely to call them in question is considered a mark of great ignorance or strong prejudice.

Dr. M. Freedom of *trade* is one thing. Freedom to *cheat* and *swindle* is another. I am not of that ultra-liberal school that is for giving men as much freedom to do *wrong* as to do *right*. Trade ought to be *fair* as well as *free*. A fig for *free trade* with foreign countries if we cannot have *fair trade* among ourselves.

D. G. In my humble opinion, the single sentence "*laissez faire et laissez passer*" embraces all the practical wisdom of all the books on political economy that have ever been written.

Dr. M. Properly understood, and properly applied, it is invaluable. But when I hear paper money bankers crying "only let us alone," it strikes me in much the same way as a similar cry would, if coming from pharo-bankers or any other class of gamblers. Free competition in doing evil, will never put an end to evil, unless it be carried so far as to destroy both subject and agent.

DIALOGUE III.

D. G. I have my rights as a man, a merchant, a banker, a Christian, and a citizen of this great American republic; but they will avail me little, Dr. Maultext, if you deny me the poor privilege of freely passing away paper that I have freely received.

Dr. M. But, Deacon, you received it with wrong intentions. You would not willingly take Tom O'Nokes' note of hand, because you know he is not worth a stiver. Or, if you did take it, because you could get nothing better, you would, on passing it away, endorse it "without recourse." Yet you are willing to take Tom O'Nokes' *bank note*, because that passes by simple transfer, and you throw all the risk of loss on another.

D. G. But suppose I endorse Tom O'Nokes' bank note?

Dr. M. That will alter the case. Every man that aids in *circulating* paper ought to be responsible in the same way that the *issuer* is, or else he ought to give notice to the receiver that he has not full confidence in it, by endorsing it "without recourse."

D. G. Then it seems that, according to your views, in order to make bank paper an unobjectionable medium, all that is necessary is to have it endorsed by every one through whose hand it passes.

Dr. M. No, this is not all that is necessary.—Promises to pay *on demand*, are, in point of fact, take them in the aggregate, promises to pay *never*. A definite time ought to be fixed for the payment of each note; and then it ought to be either paid or protested.

D. G. Such a regulation as this would interfere greatly with the operations of commerce.

Dr. M. It would not. It would leave every trader at liberty to employ his cash and his legitimate credit in such a way as he might deem best. If he made a purchase, and it did not suit him to pay ready money for it, he would be at liberty to promise to pay an hour, a day, a week, a month, or a year hence, as might be agreed upon between him and the seller; but when the time was up, there should be either payment or protest.

D. G. On your principles, all the gold and silver in the world would not suffice for the trade of the United States.

Dr. M. So far is this from being true, that the probability is, that after the system was once fairly established, a very small addition to our present stock of gold and silver would prove amply sufficient. We have now various ways and means of economising the use of paper money, as, for example, by bank checks, in this country, and bills of exchange, in England. If our money were metallic, various other expedients of this kind would be resorted to. For example; suppose a *single* office of deposit, similar to the Bank of Hamburg, established in each large city. A million of dollars might in such cases be made to effect payments to the amount of ten to twenty millions in one day, through simple transfers of credit from one merchant to another. A dollar in specie might then, through the superior *activity* given to it, effect as many payments as two dollars in paper effect now.

D. G. Any other way?

Dr. M. Yes: a system of *set offs* would be extensively resorted to among traders. Nine-tenths of all the transactions of Lancashire, England, were at one time carried on by the means of bills of exchange, without the intervention of either coin or bank notes, and bills of exchange would be extensively used in this country, in wholesale transactions, if paper money should be abolished.

D. G. After all you have to come back to *paper* and to *banks*.

Dr. M. Yes; but not to *paper-money* banks, or to *paper-money*. The banks I would have, should be *hard money* banks, which should never issue a note or certificate, or grant a credit on their books, except as the *representative of specie* actually in deposit. The sums then mentioned in bills of exchange would be a mere expression of hard money prices, with an addition in each case equivalent for the time for which payment should be deferred.

D. G. I have listened to you attentively, without being able to see the truth of one proposition you have advanced.

Dr. M. And for a very obvious reason, Deacon. It is not your *interest* to see the truth.

D. G. This is absolutely too bad. I know, Dr. Maultext, that when you are in the pulpit, you have a right to scold as much as you please. It is part of your professional privilege. But you *hadn't ought* to talk to me in this way in my own counting-house. I know that I am a poor *fail-able* creature, and that all my righteousness is as filthy rags——

Dr. M. As filthy, Deacon, as the rag money to which you owe all your wealth.

D. G. And yet, after all, *Parson*, my righteousness may be of as good quality as yours. If we of the laity are a *leetle* too fond of wealth, some of you of the clergy are a *leetle* too fond of power; and the love of domination may show itself in a desire to dictate to the minds and consciences of men, when it cannot gratify itself in another way. Even when persons under the influence of this passion speak the truth, they may speak it from wrong motives, and with wrong feelings. Look to yourself, therefore, *Parson*. I do not think you worthy of the name of *Minister*.

[Exeunt Deacon and Parson, both in a *flurry*.]

PAPER-MONEY RIOT.

About the 18th of May, the banks of New-Orleans succeeded in the *wonderful* object of making *two* commodities, to wit, gold and silver, bear the same market value as bank paper, leaving land, labor, cotton, and every thing else to fluctuate to the ruinous extent in which, from the necessity of the case, they ever must fluctuate, as long as "convertible paper," or any other kind of paper money, continues in existence.

But there was another paper currency in New-Orleans, and this, during the period of the suspension, had been generally preferred, in retail transactions, to bank paper. It was a paper issued by the three municipal corporations, amounting, in all, to about one million dollars, and the whole of it in notes of small denominations. That, where there are two paper currencies, the raising of the value of the one, has a tendency to sink the value of the other, is well known to those who have studied the principles of the system. But the municipal money makers of New-Orleans were either ignorant of this truth, or disregarded it. Perhaps they thought that as the paper currencies of Philadelphia and Baltimore had been "*purified*" principally at the cost of the working-men and the small traders, the same good work could be effected in the same way in New-Orleans.

Be this as it may, they took no measures to support the market value of their trash currency, and on the resumption of specie payments by the banks, the notes of the first and second municipalities depreciated from 15 to 20 per cent., while those of the third ranged from 50 cents on the dollar to nothing. What followed shall be related in the words of an eye witness.

"The brokers, thinking it an excellent chance for an "operation," classed all the bills of the municipalities together, stuck up notices of "no shinplasters purchased here;" and by these and divers other ungodly tricks, which would have done honor to Wall street, succeeded in throwing discredit upon all municipality notes, so that they could buy up those of the first and second at 46 and 50 cents —thus making an immense profit at very little

risk, as nobody seriously believes that the notes of these municipalities will not eventually be redeemed.

"This being the state of things, the fruiterers, haberdashers, and small dealers in general, itinerant and stationary—a motley and indescribable crew of French, Spanish, Italian, Portuguese, Germans, and Jews of all nations, to the number of three or four thousand, started this morning for the Mayor's office where they called out his Honor and demanded the redemption of "*les billets des municipalities.*" His Honor, who did not happen to have the change "past him," declined this opportunity of showing his public spirit, but told the mob that the story of the depreciation of their notes was a falsehood, and that they would all be redeemed in a few days. The crowd upon this left the Mayor's office; and being instigated by the devil, who sometimes delighteth to witness the destruction of his own works, proceeded in a body up Chartres street to Canal, yelling like ten thousand wild Indians. On the corner of Canal and Camp, (the latter being a continuation of Chartres) the mob commenced the work of destruction by completely gutting the exchange office of Messrs. Valentine & Williams, and carrying off all the money it contained, gold, silver, and paper, (even shinplasters) while the cry flew from rank to rank of the rioters, "*Aux arms! aux arms!*" The citizens immediately ran to the Town Hall, where a magazine of arms and ammunition is constantly kept, and returning in a body, charged upon the rioters, who fled with the utmost precipitation. By this time the offices of Valentine & Williams, Raphael, Nance & Barker, four brokers' offices "all in a row," were completely and literally gutted. Nobody was seriously wounded in this most extraordinary *emeute*, and the civil authorities, aided by the citizens, succeeded in capturing some ten or twelve of the ringleaders, who are to have their examination to-morrow morning, and who will undoubtedly be committed for trial."

But the matter did not end here. The N. O. Advertiser states that "the military were under arms during the whole of Friday night, as the Mayor had positive information of the intention of the disaffected to get up a riot, and disturb the peace and property of the city. The firemen were armed and at their posts, and the strictest watch was kept in every part of the town. All passed off quietly.

"The break of morning (on the 22nd) found the beef and fish markets empty, and the vegetable market little more than half filled. People returned with empty baskets and angry faces. Groups of market sellers soon gathered among the meat shambles and discussed the subject of shinplasters. Placards in different languages were posted up, calling on all who were opposed to further taxation, to oppression, to shinplasters, &c., to assemble near the *Place d'Armes*, at one o'clock in the day, with the means in their hands to make due resistance, &c. &c. The military, which had been relieved at an early hour, were summoned to their posts again at 10 o'clock, and preparations were made to arrest every man who should assemble in accordance with the call of the placards. The discontents were evidently disconcerted in their plans, for no attempt was made to carry them out. In the afternoon the Mayor issued his proclamation, calling on all good citizens to rally in defence of the laws."

This was very well, but the Mayor and all others concerned, should recollect that there would have been no breach of the *municipal* laws on the part of these poor people if there had not first been a violation of the laws of *natural justice* on the part of those high in authority. "Generally speaking," says the N. O. Picayune, "the holders of these notes were men of small means, and the few dollars of Municipality money which they held, was their all."

The first and second Municipalities by taking measures to fund their outstanding issues, raised them at once to par, and this, no doubt, tended to calm the excitement. The notes of the third Municipality became utterly worthless.

THE BANK REVULSION.

In every part of the country, this is producing its natural effects. Take the following newspaper paragraphs by way of example.

THE TIMES.—The Hartford (Conn.) Review states that within a very short time, there have been eight or ten failures of the most respectable business houses in that city, men whom every body thought good, and whose credit was supposed to be as sound as that of the Hartford Bank.

JEFFERSON COUNTY.—A meeting of democratic citizens was held at Brookville on the 11th inst., and amongst the resolutions adopted was one soliciting the Legislature to pass a law, authorizing the suspension of the collecting of all debts for the term of one year from the first of July next. —*Blairsville (Pa.) Record.*

The Sheriff of Estill county, on the meeting of the court recently, resigned his office, thereby causing the court to adjourn without doing any business, and this was done simply to protect the people against judgments being obtained at that court against them, as was done in Mississippi and Arkansas about two years ago!—*Ken. Yeoman.*

A correspondent of the Zanesville (Ohio) Republican gives a statement from the schedule of property sold by the Sheriff of Muskingum county, within a few days past, and for which *specie* was required, that shows a pressure scarcely credible. A four horse wagon was sold at $5 50, hogs at 6½ cents each, horses at $3, colts at $2 to $3, cows at $1 50 to $2 00! The writer says:

"Besides these, there was a store of goods, said to have cost several hundred dollars, sold for, I think, less than twenty dollars; amongst which I recollect a barrel of Orleans sugar, about 260 lbs., sold for *one dollar and fifty cents the barrel!*

"I should, perhaps, state that the above sales were made at three different days, and in two or three different townships, and the result in each nearly the same. The horses were such as have heretofore sold for $50 to $75 each."

THE FOREIGN NEWS.

On the night of the 4th of May, a fire, supposed to be the work of an incendiary, broke out in the city of Hamburg, the great commercial emporium

of Germany, and continued to rage till the morning of the 6th, when, by blowing up a number of houses with gunpowder, the progress of the flames was arrested. Several hundred lives were lost, from 1500 to 2000 houses were laid in ruins, and the total loss of property is estimated at not less than forty or fifty million dollars.

It is with peculiar grief we record this calamity, for Hamburg is an *honest* city—a *hard money* city, and one that has retained its commercial honor unblemished for many centuries. "It is," as an English Journalist remarks, "one of those calamities which will be felt in every part of the commercial world.

"In the midst of the confusion an incident occurred characteristic of the government and the people. A public notice was every where put up, stating that the vaults under the bank, containing the gold and silver bars were fire proof, and that the bank books were all removed in perfect safety."

In England, money was, at the date of the last advices, the 17th and 18th of May, very abundant with one class of traders, and very scarce with another. While good bills could be discounted at three per cent. per annum, numerous failures were taking place in the metropolis and the manufacturing towns. One of the heaviest houses in Manchester, stopped payment on the 14th.

The prospect of the crops was good.

BANK AND CHURCH.

The General Assembly of the Presbyterian Church (old school) has, as appears from a report made to it on the 3rd of June last, the following amounts invested in stock.

2 shares	Bank of North America,	$0,800 00
20 do.	Philadelphia Bank,	2,000 00
115 do.	Mechanics Bank of Philadelphia,	4,828 00
1 do.	Bank of Pennsylvania,	400 00
11 do.	Bank of United States,	1,100 00
45 do.	North American Insurance Co.,	450 00
2 do.	Pennsylvania Insurance Co.,	800 00
100 do.	Planters' Bank of Mississippi,	11,077 62
200 do.	Agricultural Bank of Mississippi,	23,701 76
10 do.	Grand Gulf Bank of Mississippi,	992 00
150 do.	Mer. & Mec. Bank of Wheeling,	15,025 00
250 do.	Mer. & Man. Bank of Pittsburg,	14,302 00
200 do.	Planters' Bank of Tennessee,	22,106 25
150 do.	Union Bank of Tennessee,	15 262 50
100 do.	Bank of Mobile,	11,027 50
100 do.	Bank of Louisville,	10,526 25
10 do.	Chel. & Willow Gr. Turnp. Co.,	1,000 00
$1020	Phila. & Wilm. Railroad bonds,	940 00
		$136,339 62

These stocks were estimated on the 27th May, 1842, by Charles Macalester, Thomas Wickersham, and Joseph Swift, brokers, to be worth, at that time, $46,705, showing an estimated loss of $ 9,634 62.

So much for the unholy connection of Bank and Church. If any one had proposed to invest the funds of the Church in *lottery tickets*, the whole body of clergy and laity would have been "horrified" at such a proposal. But those who had the management of the financial concerns of the General Assembly, chose to employ its funds in a far worse kind of gambling, to wit, in *paper money banking*, and no one ought to regret the loss that has consequently been sustained.

BANK DEFAULTS.

In our 23rd number, we inserted a paragraph from the Public Ledger of this city, in which, among others, Levi Eckley, of Macon, Georgia, was charged with being a defaulter. An Augusta correspondent of the Charleston Courier, denies, in very indignant terms, the truth of this charge. The statement appeared originally in a Charleston paper.

Saturday, June 4, 1842.

BANKS OF	AT NEW YORK	PHILAD'A.
Maine	⅜ a ½ dis.	1 a — dis.
New Hampshire	⅜ a ¼ dis.	1 a — dis.
Vermont	— a ½ dis.	1 a — dis.
Massachusetts	⅜ a ½ dis.	1 dis.
Rhode Island	⅜ a ½ dis.	1 dis.
Connecticut	⅜ a ½ dis.	1 dis.
New York City	Standard.	¼ a — dis.
New York State	par a 1 dis.	1 a 4 dis.
East Jersey	— a ½ dis.	1 a — dis.
West Jersey	— a 1 dis.	Par a 2 dis.
Philadelphia	⅜ a ½ dis.	Standard.
Pennsylvania, East	— a — dis.	Par a 15 dis.
" West	— a — dis.	4 a 25 dis.
Delaware	— a ½ dis.	Par.
Baltimore	½ a — dis.	¼ dis.
Maryland	— a 5 dis.	Par a 5 dis.
District of Columbia	— a 1 dis.	1½ dis.
Virginia	— a 5 dis.	— a 4 dis.
" West	15 a 20 dis.	15 a 25 dis.
North Carolina	— a 6 dis.	6 a 6½ dis.
South Carolina	—a 3 & 4 dis.	3½a 4 dis.
Georgia	— a 5 dis.	4 a 40 dis.
Alabama	— a — dis.	22 a 25 dis.
Louisiana	10 a 25 dis.	3½a 15 dis.
Mississippi	— a — dis.	— a — dis.
Tennessee	— a 25 dis.	18 a 20 dis.
Kentucky	— a 10 dis.	8 a 10 dis.
Missouri		10 dis.
Illinois	— a 50 dis.	50 a — dis.
Indiana	— a 15 dis.	25 a — dis.
Ohio	— a 10&15dis.	10 a 15 dis.
Michigan	— a 10&20dis.	10 a 18 dis.
American Gold, (new coinage)	Par a —	par a —
Sovereigns	4.85 a ——	4 85 a ——
Heavy Guineas	5.00 a 5.05	5.00 a 5.05
Spanish Doubloons	16.25 a 16.35	16.25 a 16.35
Patriot Doubloons	15.60 a 15 65	15.60 a 15.65
Spanish Dollars	2 a 4 pr.	2 a — pr.
Mexican Dollars	⅛ a ½ pr.	par
Five Franc Pieces	93 a 94 cents	93 a ——
Half Dollars	Par.	par
BILLS OF EXCHANGE ON		
London	7¾ a 8 pr.	7 a 8 pr.
France	5.35 a ——	5.35 a ——
Holland	39¼ a —	39 a 39¼
Hamburg	35 a —	35¼ a ——
Bremen	76¼ a 76½	75¼ a 75½
Boston	Par a ¼ dis.	par a ¼ dis.
New York		par a ¼ dis.
Philadelphia	par a ⅛ dis.	
Baltimore	par a ⅛ dis.	¼ a ⅜ dis.
Richmond	3 a 3½ dis.	— a 4 dis.
North Carolina	3 a 3½ dis.	
Charleston	1¼ a 1½ dis.	2½ a — dis.
Savannah	2 a 2¼ dis.	3 a — dis.
Augusta	2 a 2¼ dis.	
Columbus	nominal.	
Macon	19 a 20 dis.	
Mobile	27 a 28 dis.	33 a — dis.
New Orleans	3 a 4 dis.	4 a 5 dis.
Natchez	nominal	no sale.
Nashville	15 a 16 dis.	18 a 20 dis.
St. Louis	12 a 13 dis.	
Louisville	3 a 4 dis.	7½ a — dis.
Cincinnati	6 a 7 dis.	9 a — dis.
Michigan	nominal.	
PRICES OF PRODUCE.		
Cotton, New Orleans, per lb.	5½ a 10½	8 a 10
Mobile	5⅛ a 10½	8 a 9¼
Upland	5¼ a 9¼	6 a 9¼
Flour, Western Canal, per bbl.	5.87½ a 6.12½	5.37 a 5.50
Philadelphia	5.87½ a 6.25	5.50 a 5.62½
Rye Flour	3.50 a 3.62½	3.50 a 3.62½
Indian Meal	2.87½ a 3.12½	2.62 a 2.87
Grain—Wheat, per bush	1.28 a 1.29	1.16 a 1.22
Rye	65 a 66	65 a 70
Corn	52 a 59	49 a 53
Oats	34 a 44	37 a 39
Iron, Amer., Pig, No. 1, per ton	27.50 a 30.00	26.00 a 31.00
Bar rolled	75.00 a ——	80.00 a 85.00
Lead, Pig, per lb.	3⅜ a 3½	3⅜ a 3½
Tobacco, Richmond, per lb.	2⅛ a 6	3 a 6½
North Carolina	2⅛ a 5	
Kentucky	2⅛ a 6½	2½ a 6
Wool, American, Merino, per lb.	31 a 33	32 a 35
Common	18 a 20	26 a 29
Whiskey, Rye, per gal	17 a 18	17 a 18
Provisions, Mess Beef, per bbl.	7.25 a 8.00	7.25 a 7.75
Mess Pork, per bbl.	6.75 a 8.75	7.50 a 7.75
Hams, per lb.	4½ a 7	4 a 6½
Lard, per lb.	5¾ a 7	5¼ a 7
Cheese, per lb.	7 a 8	9¼ a 10
Rice, per lb.	2¾ a 3½	3 a 3½

CHAPTER XXII.

Of Banking from 1829–30 *to* 1832–33.

Towards the close of the year 1829, money became plenty. For this, various causes may be assigned. One of the chief was the extensive dealings of the United States Bank.

This institution had, early in 1823, devised a plan for extending its operations, and in that year discontinued the practice of paying out the notes of the local banks, and renewed the practice of receiving the notes of all its branches. But the condition of things was such, that, towards the close of the year, its circulation was diminished, instead of being increased. It stood, in November and December, at $4,081,842, which was less than it was at any previous period, except the three months which immediately followed the first opening of the doors of the bank at Philadelphia.

In 1824 and 1825, the Bank increased its active capital, by the sale of three or four millions of forfeited bank stock. It was by this operation, by adding upwards of three millions to its circulation, and by straining its credit, that it was enabled in these years to lend ten millions to government. A part of the plan of the bank was to extend its dealings in domestic exchanges. This it naturally preferred to increasing its business in other commercial securities, as on these it received only discount, whereas on bills of exchange it received both discount and premium. Being the depositary of the public funds in various parts of the Union, it possessed great advantages for dealings in exchange, especially as the greater part of the public revenues was received in those cities which had naturally the rate of exchange in their favor. The operations of the bank in its exchange dealings are thus described by its president.

"The crop of Tennessee is purchased by merchants who ship it to New-Orleans, giving their bills founded on it to the branch of Nashville, which furnishes them with notes. These notes are in time brought to New-York for purchasing supplies for Tennessee. They are paid at New-York, and the Nashville Bank becomes the debtor of the branch at New-York. The Nashville branch repays them by drafts, given to the branch at New-York on the branch at New-Orleans, where its bills have been sent, and the branch in New-York brings home the amount by selling its drafts on the branch at New-Orleans; or the New-Orleans branch remits. This very plan of circulation, is the basis of the whole interior trade of the United States."

The *true* basis of the interior trade of the United States, is the fertility of the soil and the industry of the people. The sun would shine, the streams would flow, and the earth would yield her increase, if the Bank of the United States was not in existence. What is now performed by it in the way of exchange dealings, would, if there were no corporations, be as well performed by private exchange merchants. Perhaps they could not perform it at quite as low a rate, for they would have to provide a capital of their own, whereas the United States Bank performs it by the control it has of the public deposits, and by means of the credit its charter gives it in different States. Employing no capital of its own in the business—the whole affair being a mere paper transaction between the bank and its branches, it may well afford to do it cheap. It may, however, be questioned, if the reduction of the price of exchange below its natural rate, is an equivalent for the evils which must necessarily ensue from the substitution of the discretion of the officers of the United States Bank and of its twenty-five branches for the laws of nature. Whenever and wherever the Bank of the United States reduces exchange below its natural rate, it removes the only effective check on overtrading. This in a short time makes necessary a reduction of discounts, and thus we have in the exchange dealings of the United States Bank a new element of commercial vicissitude. If there were no paper-money institutions, the rate of domestic exchange would be regulated by the cost of transporting specie from one part of the country to another. This, even between the most remote parts of the Union, would not exceed two or three per cent., and it would be better to pay this per centage than to be exposed to all the evils of an interminable series of expansions and contractions.

There was, however, a serious obstacle to extending the operations of the bank as far as its officers thought desirable. It was physically impossible for the president and cashier of the parent bank to sign all the notes wanted for the branches: and Congress, though repeatedly solicited, had refused to give authority to any other persons to sign notes for circulation. Counsel was then taken of some distinguished legal characters, and they declared that the issue of small drafts signed by

the officers of the branches, either upon one another, or upon the parent bank, was not prohibited by the charter. The issue of these drafts was accordingly commenced in 1827, and a great increase of paper medium has followed. The president of the institution has said, "If branch drafts had not been issued, no notes at all could have been issued, from the mere physical impossibility of preparing them. But branch drafts do not increase the circulation more than branch notes would." This is true, but the physical impossibility was made known to Congress, when application was made for authority to be given to other persons besides the president and cashier to sign notes for circulation.

In answer to a question propounded by Mr. Cambreleng, "In what manner can a national bank diminish the circulation of country banks, with which it has no transactions, except by reducing its own circulation?" the president of the bank replied,—"Very easily and very naturally. The very increase of the circulation of a national bank may be the most efficient cause of the reduction of a State bank, and in this way:—a branch is near a local bank—the branch notes are more valuable than the local notes—the local notes are exchanged for the branch notes at the branch bank, which thus becomes the creditor of the local bank, and makes it pay its debts, and thus reduce its circulation.—Now almost all State banks stand in this relation to the bank and its branches."

This is sufficient to show that the embarrassments of 1828 were produced in part by the conflicts between the United States Bank and the local banks for the circulation. Encouraged by the success of its experiment, the United States Bank took measures for extending the operations of its older branches and for establishing new ones. It felt pretty secure in the emission of branch drafts, for they were made payable at a distance of five hundred or a thousand miles from the places in which they were issued, and though receivable everywhere in payment of debts to government, could at any time be refused to be received in payment of debts due to the Bank. The Bank did, indeed, and still does, receive these branch drafts on deposit, at all its offices. This was necessary to give the drafts a general circulation. But if it should at any time become the interest of the Bank not to receive them, it has only to say so, and the merchants will, as they were in 1818–19, be denied the privilege of paying debts due to the Bank in the paper of the Bank. A portion of the paper of each of the twenty-five offices, being distributed through each of the twenty-four States, each office may, in case of a "panic," be delivered from the effects of a "run," by a refusal to receive or to discharge any but its own drafts.

Under these circumstances the Bank increased its issues, and it is evident that after these issues were swelled to a certain amount, they afforded a basis for new issues by the State banks. It is well known that the country banks of Pennsylvania discount as freely on deposits of Philadelphia notes as on deposits of specie; for Philadelphia notes are, they say, "as good to them as specie," or even better, inasmuch as exchange is usually in favor of Philadelphia. The banks throughout the Union regard United States Bank notes and drafts in much the same light as the country banks of Pennsylvania regard Philadelphia paper; because balances are constantly accumulating against them, in the United States Bank, through that institution being made the depositary of the public funds, and through its many extensive transactions. The operation was briefly this:—local bank notes, which circulated freely nowhere but in the neighborhood of the banks which issued them, were exchanged at the offices of the United States Bank for branch drafts which were made to circulate everywhere. This diminished the circulation of the State banks, and increased that of the United States Bank. The circulation of the Bank of the United States being increased, a number of its notes were received by the State banks either on deposit or in payment of debts due to them by individuals. The local banks finding they had on hand a considerable amount of United States paper, which was "as good to them as specie, or even better," began to issue their own notes more freely. A portion of these were received by the United States Bank, and the State banks, on payment being required, satisfied the demand with branch drafts. Each extension of the business of the United States Bank in exchanges, increased its circulation of branch drafts, and each increase of branch drafts, after the new mode of operation was fairly established, enabled the State banks to increase their issues, by providing them with means to meet such demands against them as might be made by the United States Bank.

From the reports made to the Legislature of Pennsylvania, in November, 1828, by the various banks of the State, and by the Bank of Pennsylvania, in February, 1829, it appears that their circulation then amounted to 7,238,991 dollars, and their deposits to

6,221,037 dollars—total 13,460,028 dollars. From similar reports made in November, 1831, it appears that their circulation was 8,753,092, and their deposits 7,736,747—total 16,489,839 dollars. This shows an increase in the local bank medium of Pennsylvania, of three millions of dollars, or about twenty-two per cent. between these dates.

Mr. Cambreleng states, that between the 1st of January, 1830, and the 1st of January, 1832, the country banks in the State of New-York had increased their circulation from 3,974,345, to 8,622,277 dollars. The increase in 1831, in the circulation of the banks of New-York, Massachusetts, Rhode Island and Pennsylvania, not including the banks of Philadelphia, is estimated by him at eight millions.

The gross circulation of the Bank of the United States in January, 1829, was 13,391,110 dollars, and in January, 1822, it was 24,630,747 dollars. The nett circulation was, at the first of these periods, 11,901,656—at the second it was 21,250,545 dollars. The increase in the nett circulation was about seventy-eight per cent.

Other causes besides the new mode of operation adopted by the United States Bank, contributed to this increase of currency.—Multitudes of those who were ruined by the events which followed the war, had found relief in death. Others had sought an asylum in the poor-house. The children of others had become old enough to till, as hirelings, the farms their fathers once owned. A new generation of business men had come on the stage of action, and the incidents of 1818–19 were fast fading from the minds of those who were then old enough to be observant of the course of affairs. In such a country as the United States, the silent operations of society work great changes in a period of ten or twenty years. Pernicious as the banking system is, it cannot exhaust the natural sources of wealth, or destroy that desire in men to better their condition, which is the main-spring of action. The country was more populous and more wealthy than it was at any previous period. It could *bear* more banking, and more banking it was made to bear.

The combined operations of these causes began to be very visible in their effects in the latter part of 1829, after the embarrassments caused by a pressure in Europe were over. The rise of property on Market street, Philadelphia, was a subject of newspaper boast in November.

An increase of the trade with Mexico, and a decline of the trade with China, contributed to swell the amount of specie in the country. In 1830, the exports of gold and silver were only 2,178,773 dollars, while the imports were 8,155,964. A method adopted by the Bank of the United States, and imitated by private capitalists, of drawing bills on England to be negotiated beyond the Cape of Good Hope, was one of the causes which, in this year, diminished the export of gold and silver. The committee of Congress say, "this new method of dealing in bills of exchange does not economise the specie of the country at all. It is a universal law of drawing, that the funds must either go before or follow after the draft to honor it at maturity; and whether it goes directly or circuitously, the funds to discharge it must sooner or later arrive at the place of payment. These bills are to be paid in England, but they go round the Cape of Good Hope before they reach their place of destination. Instead, therefore, of sending the specie directly to India and China, as formerly, who does not perceive that it must now be sent to England, the country upon which these bills are drawn, there to meet them upon the arrival at the place where they are to be paid? The Bank consequently becomes the shipper of the specie, to pay its bills, in place of the merchant, to purchase his merchandize in the East Indies. It is simply and purely nothing but a change of the destination of the specie, with only the advantage of its going to London.

"The supplying of bills encourages an operation which commences and ends without the employment of any capital whatever, and is similar in character to respondentia securities. The buyer is enabled, within the term of credit, to make the voyage, dispose of his goods, and obtain from the proceeds the funds to meet his obligation, and the Bank to transmit the same to the place upon which the bills are drawn, (which are at six months' sight,) long before they become due. It would seem to produce a greater export of specie, eventually, than would otherwise take place, if the operations were commenced with specie, and not with bills purchased in the manner described: for the merchant, relying upon his immediate resources, would not engage to such an extent in the business, and would combine in the operation much of the produce of the country, whereas, relying upon an extensive credit, he hazards every thing on the success of the enterprise. It is a species of speculation in trade, leading to great risks, and certainly terminating in overtrading—the evils of which the country is

now sorely experiencing. By loans of a similar character by insurance companies, providing funds for traders to China, government has sustained more loss than in any other branches of trade."

All this is true enough, but this method of drawing bills to be negotiated beyond the Cape of Good Hope, enables the banks to increase their issues, inasmuch as it *defers* the demand for specie for six months, a year, or longer. It contributed, with other causes, to swell the amount of silver in the vaults of the banks, in the latter part of 1829, and in 1830, and 1831.

In March, 1830, the Bankof the United States had in its vaults 8,038,246 dollars, which was more than it ever had before. In December, the banks of the city of New-York complained that they had so much specie, that they did not know what to do with it. The amount in their vaults was said to be seven millions.

Throughout 1830, and the greater part of 1831, the banks generally extended their operations. Money was unusually plenty, and little embarrassment was suffered, except what was produced by the action of the banks on one another, in their struggle to determine which should circulate the most paper. The effect in Philadelphia was to raise property, in many parts of the town, as high, or nearly as high, as it was during the suspension of specie payments. Great part of Market street was rebuilt with elegant stores. Rents rose enormously in business places. The trade with the western country was increased greatly; and speculation showed its activity in a variety of forms. In almost every part of the country, the same effects were observable, in either a greater or a less degree.

This continued till October, 1831, when "an active demand for money" began, the consequences of which have since been felt in various parts of the country in various forms.

The President of the United States Bank, in a letter dated April 16th, 1832, addressed to Mr. Clayton, the chairman of the committee of Congress, gives the following account of the state of affairs:

"In addition to the business of domestic exchange, the amount of local loans has increased, owing to the greater demand for the use of money during the last year, and the conversion into the more active form of business of the stocks repaid by government to the Bank. The first grew naturally out of the state of trade. For eighteen months, the want of employment for capital, and the derangement of industry arising from political and other causes, rendered money very abundant in France and England, the two countries whose situation so much influences our own, and produced a corresponding ease and plenty in the United States, while at the same time, the disturbed state of Europe, and the cholera which interposed new obstacles to trade, with certain parts of it, naturally directed the manufacturers of England and France to this country, which is by far the best and safest market for their productions. These circumstances occasioned, during the past twelve months, an unusual importation of foreign merchandize. While the treatment of this temporary commercial disease was in progress, the sufferers naturally looked for the cause of it everywhere but in themselves, and the Bank was reproached with having contributed to occasion the importations. Without going into detail, one single fact is quite decisive on this subject. It will be seen from the following official statement, marked B, that the large importations last year, began with the month of April, and of course they must have been founded, so far back as the Bank was concerned, on the state of things in this country a month or two previous, say the month of March last. Now, it will be seen from the state of the bank before the committee, that, for nearly two years before the month of March last, (1831,) the local discounts of the bank had undergone no perceptible increase—those for July, 1829, being $34,196,000, and those for March, 1831, being $34,220,000, an increase within that period of only 24,000 dollars."

This does not appear to be a correct mode of viewing the subject. The exchange dealings of the Bank ought to be taken into consideration as well as the local discounts.—They contribute quite as much to credit traffic. It is through them the Bank is able to circulate its branch drafts. The arrival of these branch drafts in the great Atlantic cities, is, as the president of the Bank has stated elsewhere, "the signal of relief to the southern and western traders." The receipt of them at the office at New-York, was nearly twelve millions in the year 1828, and upwards of eleven millions in the year 1829. The receipt of them at Philadelphia, and at the three offices of New-York, Baltimore, and Boston, amounted to upwards of thirty-seven million dollars, in the two years of of 1828 and 1829. It is with these branch drafts that the southern and western merchants pay for foreign merchandize. It is

with these the importer pays the duties to the government. Nothing, therefore, can contribute more efficiently to an increase of imports.

"The large importations must have been founded, so far as the Bank was concerned, on the state of things in this country a month or two previous." This is unquestionable, and the state of things in this country was then affected by the new system of operations begun by the Bank in 1827. Between the two dates mentioned in the extract, the nett circulation of the United States Bank had been increased from 13,780,847 to 16,933,-122, or about twenty-two per cent., and though the increase in the circulation of the local banks may not have been in the same proportion, there is reason to believe it was considerable. It may be admitted that the state of trade in Europe, and perhaps the cholera, tended to swell the importations, but any disposition to over-trading thereby induced, would, if we had been without moneyed corporations and without paper-money, soon have been checked by the necessity of paying cash, or at least making engagements to pay in specie.

The president of the Bank proceeds as follows:

"Without having contributed to produce them, the Bank found, about nine months ago, large importations, requiring for their diffusion through the country, increased facilities connected with banking: having the means of giving them—being in fact created for the purpose of giving them—it gave them; it had the means of giving, because, in the early part of the year, it had been strengthened for business, purposely, by the addition of two millions of its funds in Europe transferred home, by the repayment of about ten millions of the funded debt paid back by government since October, 1830, making an increase of active means amounting to twelve millions. When, in the progress of a few months, the continuance of these importations, and the revenue which had accrued on them, produced an effect on the actual state of the market, the Bank applied itself immediately to correct any disadvantages from it to the community. The actual position of things was simply this: There were large importations requiring means of remittance to Europe to pay for them: there were large amounts of revenue due to government, amounting in New-York alone, from March, 1831, to March, 1832, to nearly seventeen million dollars, requiring great forbearance towards the debtors. In the meantime, the southern produce, which furnishes the greater part of the means to pay for these importations, was, owing to a great variety of causes, the state of the crops and the weather, unusually late in appearing.—This, therefore, was the condition of the country: an unusual importation, an unusual amount of debts payable to government, and an unusual delay in receiving the ordinary means of meeting these demands. Undoubtedly, if the Bank had chosen to adopt such a course, it would have been easy, by an immediate diminution of its loans, to place itself out of the reach of all inconvenience, but it would, at the same time, have inflicted very deep wounds on the community, and seriously endangered the revenue of government.—These exertions of mere power have no attraction, and it was deemed a far wiser policy to deal with the utmost gentleness to the commercial community, to avoid all shocks, to abstain from countenancing all exaggerations and alarms, but to stand quietly by, and assist, if necessary, the operations of nature and the laws of trade, which can always correct their own transient excesses. Accordingly, the whole policy of the Bank for the last six months, [preceding April 16, 1832,] has been exclusively protective and conservative, calculated to mitigate suffering, and yet avert danger. The point where these importations occurred, and where the revenue was payable, was New-York. The whole force of the institution was, therefore, directed to strengthen that place, and the distant branches were directed to avoid incommoding it, and the Atlantic branches near to it, by drafts upon them, but to pay their balances to them with as little delay as the convenience of their respective localities would permit. This is the whole policy of the Bank for the last six months. It will be seen, therefore, that without a diminution, there has been an actual increase of business in New-York, and a large increase of the domestic bills of the branches: the increase in New-York being for the purpose of protecting the interests there, and the increase of the bills being the remittances from the west and south to sustain New-York and the southern Atlantic branches. In the meantime the Bank, out of its own accumulations, and its own credits in Europe, supplied, since the first of September last, the means of remittances in its own bills to the amount of $5,295,746 52, and parted with its surplus specie to the amount of 5,000,000, making an aggregate contribution to the commerce of the country of $10,-295,746 52."

The letters from the cashier of the Bank at

Philadelphia, to the cashiers of the branches, in the months of October, November, December, January, and February, 1831–32, exhibit a remarkable example of the manner in which the operations of the Bank "assist the operations of nature, and the laws of trade, which can always correct their own transient excesses." The general directions to the cashiers were to shape their business, not according to the natural demands of trade in their immediate vicinity, but according to the special demands of the banks in New-York, and other Atlantic cities. They were to withhold local accommodations, and to purchase bills of exchange, on particular places, thus increasing facilities to one class of dealers, and denying them to others, when it was as likely as not that regard to the interests of the community in the neighborhood of its offices, would have required an increase of local discounts, and a diminution of exchange dealings, or exchange dealings of a different character from those which were ordered. It may be doubted if any board of men sitting in Philadelphia, is able to direct money operations, in many and remote parts of the Union, without inflicting injury on the community, especially when that same board has on its shoulders the additional burden of regulating the foreign exchanges of the country. It may be doubted if the discretion of any board, however scientific, and however experienced, is an adequate substitute for "those operations of nature and laws of trade," which, if left to themselves, "can always correct their own transient excesses."

The reduction of accommodations at the Bank in Philadelphia, between the 5th of January and the 29th of March, 1832, was $1,810,408 37, including both promissory notes and bills of exchange; at the office at Boston, between the 5th day of January and the 29th of March, it was $167,860 85, on a discount line of less than two and a half million dollars; and at the office at Baltimore, between the 16th of January and the 2d of April, it was $123,741 63, on a discount line of little more than two million dollars. At the office at New-York, the local discounts were, as Mr. Biddle states, increased, but the dealings in exchange were diminished, so that the actual reduction of commercial accommodations at that office was $259,305 43, between the 4th day of January and the 28th day of March. At the Bank in Philadelphia, the reduction between the 5th of January and the 5th of April, fell a little short of twenty per cent. of the whole amount of accommodations.

It appears, from a letter of the cashier of the Bank in Philadelphia, dated November 24th, 1831, that the orders issued in October were, at some of the western offices, "unfortunately misunderstood. At some of them, our cashiers ceased checking altogether upon Philadelphia and New-York, and at Nashville the board refused very large amounts of prime bills upon your city, (New-Orleans,) and have thus dried up a few of the rills by which the stream of exchange would have been swelled in its course towards you and thence to us." Thus, it seems, that in addition to the evils to which the country is exposed, from the attempts of the Board at Philadelphia, to control the whole course of foreign and domestic exchanges, and through them the whole train of commercial operations—attempts which, from the imperfections of human nature, must necessarily be productive of evil—we are exposed to other evils from the officers of distant branches misunderstanding directions.

Explanations of the orders of the Bank were then given to such of the branches as had misapprehended them, and it must be stated, in justice to the cashiers of the southern and western offices, that they obeyed orders so well, that, though there was a reduction of dealings to the extent of two millions and a half at Philadelphia, New-York, Boston, and Baltimore, there was an increase between October, 1831, and March, 1832, of more than a million in the nett circulation of the bank, of more than six millions in the bills of exchange, and of more than eight millions in the total of discounts and bills.

The Bank perceived in February that it was necessary to change its policy, for branch drafts came from the south and west in such quantities into the great Atlantic cities as to threaten difficulties of another nature. Orders were then issued to the branches to keep down their business, as well in bills of exchange as in local discounts. Notwithstanding this direction, the bills of exchange were, by May, increased to twenty-three millions, and the aggregate of discounts and bills to seventy millions.

The immediate causes assigned for the movement in October, were directions from government to pay off six or seven millions of the public debt. Orders to pay off a small additional amount, only one million and three-quarters, in April, are specially mentioned, in the instructions given to the southern and western branches, why they should shape their business so as to assist the principal offices in the Atlantic cities. If the government had been willing to leave the national

debt unpaid, and to suffer the Bank to have the public funds to trade upon, the Bank would, perhaps, have kept on expanding. But the government was, very properly, desirous of discharging the national debt while it had the means: and expressed a wish in March, to pay off in July one half of the three per cents. This rendered necessary a new movement on the part of the Bank, the particulars of which are thus related by its chief officer.

"I received a letter from the acting secretary of the treasury, dated the 24th of March, 1832, informing me that the government was about to issue a notice on the 1st of April, of their intention to pay on the 1st of July next, one half of the three per cent. stock, and to do it by paying to each stockholder one-half the amount of his certificate. He added, 'If any objection occurs to you, either as to the amount, or as to the mode of payment, I will thank you to suggest it.'

"Thus invited by the government, in a communication marked 'confidential,' to give my opinion on a measure contemplated by the government, I felt it my duty to express my views of its probable operation. In my reply, therefore, dated the 29th of March, I stated, 'that so far as the bank is concerned, no objection occurs to me, it being sufficient that the government has the necessary amount of funds in the bank to make the contemplated payment.' I then proceeded to observe, that in the present situation of the mercantile community, and with a very large amount of revenue, [amounting to nine millions,] to be paid before the 1st of July, the debtors of the government would require all the forbearance and all the aid which could be given to them; and that the payment proposed, by creating a demand for the remittance of several million dollars to the European stockholders, would tend to diminish the usual facilities to the debtors of the government, and might endanger the punctual payment. For this reason, I thought it for the interest of the government to postpone the payment till the next quarter.

"After weighing the circumstances, the government was desirous of adopting the measure; but the difficulty I understood to be this, that the sinking fund would lose the quarter's interest, from July to October, of the sum intended to be paid in July, and that the government did not feel itself justified in making the postponement, unless that interest could be saved; but that it would be made, provided the Bank would make the sinking fund whole on the 1st of October. To this I said, that, as the Bank would have the use of the fund during the three months, it would consent to save the sinking fund harmless, by paying the three months' interest itself. And so the matter stands."

It was not long, however, before the Bank discovered that it would be as inconvenient to pay the European stockholders in October, as to pay them in July. One of the directors then made a voyage to Europe, and an arrangement was made through the medium of a private banker in London, by which the reimbursement of a portion of the three per cents. was deferred for a further period.

It is thus by means of its credit with government, and its credit in Europe, that the Bank has sustained itself during the last six months. And it is well for the community that the Bank enjoys this credit. From the accounts recently published, it appears that its circulation was reduced, from March to November, more than twenty per cent. A further diminution would, by its operation on the local banks, have added greatly to the sufferings which the commercial community endured during the last year. If we except the real estate held by the Bank, and the specie in its vaults, all its capital and all its credit may be regarded as invested in promissory notes and bills of exchange, and it cannot pay to the public creditors the funds intrusted to it for that purpose, without making a reduction of commercial accommodations in a corresponding amount. The reduction during the past year was quite as great as the community could bear; and though the government has just cause of complaint, inasmuch as the sinking fund was not made whole on the 1st of October, according to agreement, it ought, perhaps, not to be very severe in its judgment, as an attempt to fulfil the contract literally, would have occasioned a great pressure on the people.

The president of the Bank said, in his letter to Mr. Clayton, in April, 1832, speaking of the plan of operation adopted in October, 1831, "This has given time for the operations of the laws of trade: the country is recovering from the temporary inconvenience; the over-stocked market, by checking prices, has checked farther importations; the southern crop so long delayed, is coming forward: the exportation of specie has ceased; the importations of specie, postponed by the troubles of Mexico, are resumed; and in a short time, the whole operation will rectify itself."

The inconvenience has, however, continued to the present day, and if a man of Mr. Biddle's great powers of mind, still thinks the embarrassments of the people are such as spring only from the "vibrations of trade," having their origin in natural causes, and that they are in no way increased by banking operations, it must be that his situation at the head of the banking system, has had an influence on his judgment. He speaks of its being natural for men to look for the cause of their sufferings everywhere but in themselves. With equal truth it may be affirmed that statesmen, and men whose situation gives them the power of statesmen, are apt to attribute the sufferings of the community to any cause but their own measures.

If it should still be denied that the operations of the United States Bank in particular, and of the local banks in general, contributed to that state of things which led to the excessive importations in the spring of 1831, it must be admitted that the subsequent measures of the banks have contributed to produce the heavier importations of 1832. It would be very illogical to argue that the "cholera," when it visits the north of Europe, forces the trade from it, and that when it visits the United States, it brings an increase of trade along with it. There must be some other cause than the "cholera" for the excessive importations of the last year. Mr. Biddle, in the essay he published in 1828, pointed out very clearly the manner in which over-banking leads to over-trading.

In October 1829, the statements of the United States Bank showed a total of discounts and bills of exchange of $39,960,052, and in May 1832, a total of $70,428,070.—In the short period of two years and seven months, there was an increase of $30,668,018 in the accommodations the Bank afforded to dealers. At the same time the local banks expanded; and if such causes will not affect trade, it is hard to say what will.

The present amount of currency would be redundant, if over-banking had not induced over-trading. But in the present condition of things, men cannot, notwithstanding the abundance of paper-money, meet their engagements with ease; and their embarrassments are, at particular times and particular places, increased by the action of the banks on one another, and by a system of exchange dealings in which the interests of the community in one town or in one State, are made subordinate to the interest of a banking office, perhaps five hundred or a thousand miles distant.

Such consequences are inseparable from the present system, and must not be ascribed to faults in the men who manage it. Under another President and another Board of Directors, the Bank of the United States might not have committed precisely the same faults, but it might have committed faults which would have inflicted still greater evils on the community. A President and Board of Directors who would refuse to take the measures necessary to raise the rate of dividends, and the price of shares as high as possible, would be very unpopular with the stockholders, and would, probably, soon be dismissed from their official stations.

If the State banks were made the depositaries of the public funds, and if their notes were made receivable in payment of duties, the evils of the system would be increased.

If the government should, after the expiration of the present charter of the United States Bank, resolutely refuse to receive any thing but gold and silver in payment of debts, and also refuse to employ any bank as an agent in its fiscal operations, the evils of the system would be greatly diminished.

CHAPTER XXIII.

Extent of Banking Operations at Different Periods.

For many years a veil of mystery was thrown over the operations of the banks.—It was, previous to the dissolution of the old Bank of the United States, so thick a veil, that Mr. Bland, a member of Congress from Maryland, said, "the nature of the loans, the deposits, and all the bargains, dealings, and contrivances, between the government and the Bank, are wholly invisible to the public."

Dr. Bollman, who undertook the defence of the Bank, after mentioning that the nature of banking operations was but little understood, spoke of "an idea prevailing with those whom curiosity and a turn for research has led to investigate the subject more deeply, that the interest of these institutions, as well as their usefulness, required the preservation of what they deem salutary prejudices concerning them." The doctor justified such revelations as he made by the necessity of the case.

THE JOURNAL OF BANKING.

BY WILLIAM M. GOUGE.

Vol. I. Philadelphia, Wednesday, June 22, 1842. No. 26.

FRENCH BANKING.

Of all paper money banks, we like the Bank of France the best, probably because it has the least to do with this instrument of deception. It issues no notes of a less denomination than five hundred francs, equal to about ninety-four dollars of our money; and, as will be seen by inspecting the following table, the specie in its vaults has, for many years, been on an average nearly equal in amount to the notes it has had in circulation. In the original the sums are expressed in *francs*: but we have reduced them into *dollars* for the convenience of our readers.

	Specie.	*Circulation.*
From 1799 to 1808,	$ 4.894.500	$10.052,812
" 1809 to 1818,	11,125,125	15.052.812
" 1819 to 1828,	30,100,312	34,107,750
" 1829 to 1838,	35,382.375	40,074,375
General Average,	20,377,687	24,822,127

In some years the amount of specie in the vaults of the Bank, has actually exceeded the amount of its notes in circulation. This was the case in 1839, when the specie was, on an average, $42,606,187; and the notes in circulation, on an average, only $39,888,937. It was also the case in 1838, when the average of specie was $50.437,500, and of circulation, only $39,375,000. In that same year, the specie in all our American banks amounted to only 35 millions, while their circulation exceeded 116 millions. Such is the difference between French and American banking:—a difference chiefly owing to the Bank of France issuing no notes of small denominations.

In 1840, the question of renewing the charter of the Bank came under consideration, and some persons were anxious that the privilege should be granted to it of issuing notes of as low a denomination as 250 francs, or about 47 dollars of our money. But the Chamber of Commerce of Paris, opposed it, and the Committee of the Chamber of Deputies to whom the subject was referred, declared against it.

The Bank of France has several branches. Those at Reims, St. Etienne, St. Quentin, and Montpelier, were in full operation in 1839: but all the paper they were able to circulate, did not amount to half a million of dollars. Additional branches have since then been established at Grenoble and Angouleme, and perhaps at other places.

Besides these, there are in Bordeaux, Marseilles, and other large cities, what are called Departmental Banks. They are established by Royal Ordinance in conformity with a general law. Ten of these were in existence in 1840. They are permitted to issue notes of as low a denomination as 250 francs, or 47 dollars of our currency. But the memory of the assignats is so fresh in the minds of the French people, that these banks find it impossible to throw much paper into circulation.

The great mass of the banking business proper, is done in France by private bankers who issue no notes to serve as a currency, and who are responsible in the whole extent of their estates for all their engagements.

BRITISH BANKING.

In Great Britain and Ireland, the banking business is divided among the corporate banks, the joint stock banks, private bankers who issue notes to serve as a currency, and private bankers who restrict themselves to receiving deposits, discounting notes, and dealing in exchanges.

The incorporated banks are only five in number; namely, the Bank of England, the Bank of Ireland, and three banks which were, many years ago, established in Scotland.

The joinst stock banks are constituted in such a way as to enable the numerous copartners in each of them to act as one body, but no one of the copartners is thereby relieved from personal responsibility.

The private bankers, both those who issue notes, and those who issue none, are subject to the same responsibilities as persons engaged in other branches of business: and if they fail to comply with their engagements, commissioners, appointed under the bankrupt act, immediately take charge of their effects for the benefit of their creditors.

The banks of Scotland and Ireland issue no notes of a less denomination than one pound sterling, equal to about $4 84 of our currency. The banks of England issue no notes of a less denomination than five pounds sterling, equal to about twenty-four dollars Federal money.

We Americans, might, if we were so disposed, learn wisdom from the experience of the British in paper money banking. They have had the system in operation among them for one hundred and fifty years, and have tried it under various modifications. They have now brought it to a state of *improvement* which we can never hope to equal in America.

They have, (what many Americans regard as a panacea for all pecuniary troubles,) a National

Bank, and that so powerful that it supplies one half of the paper currency of the three kingdoms.—Specie payments have been sustained for twenty one years without interruption.—The country banks all profess to conduct their affairs on "commercial principles," and balances due by the banks to one another are discharged once in every three days, or at furthest once a week.—Banking is "free" to all who choose to engage in it. Any number of men, from one or two, to six or six hundred, or six thousand, may unite in establishing a bank without applying for an act of incorporation.—No small notes are issued.—The copartners in all the banks except five, are personally responsible for all the debts of those institutions.—The English bankrupt act includes banks in its operations.—The balance of payments is always in favor of England, except when the harvest falls short, when the Government subsidizes foreign powers, or when the money lenders extend too far their dealings in foreign stocks.

And yet the system produces so much evil, that no less than three Committees of Inquiry have, within a few years, been instituted by the Parliament: and hardly a month elapses without some new project being suggested to mitigate the misery it occasions. All such efforts must prove fruitless. The fault is in the very foundation of the system—in the *kind* of paper which forms its basis. Till the British put an end to the issue of notes and drafts passing by mere transfer, and which though always (nominally) *payable*, are never *paid*, they will have nothing but a series of expansions and contractions, the first producing the most delusive appearances of prosperity, and the second causing such severe and lasting misery as must to a large part of the population make existence hardly desirable.

BANK DEFAULTS.

If the reader will refer to the 4th number of this Journal he will find on page 55, a statement of defaults in 41 banks, amounting in all to $26,065,000. Since that time we have had to record the following.

Gallipolis bank, Ohio,	President	$108,000
do	Cashier	
Mineral Point bk, Wiskonsan	Cashier	100,000
Farmers' bk of Va., Danville	Teller	20,000
Banks of Columbus, Georgia	Clerks	100,000
Mechanics' & Farm. bk, Troy	Clerk	10,000
Cape Fear bk, Raleigh, N. C.	Branch Cashier	14,000
Western bk, Rome, Georgia	Cashier	
State bk of Ill., Springfield	Clerk	650
Herkimer bk, New York,	Clerk	70,000
Commercial bk, New York	Cashier	56,000
Morris Canal bk Company	Officers	
Mechanics' bk, New York	Clerk	11,000
Eagle bank, Boston	Teller	74,000
Penn Township bk., Phila	Cashier	260,000
Commercial bk, N. Orleans	Clerks	26,300
Towanda bk, Pennsylvania	Cashier	100,000
Atchafalaya bk, N. Orleans	Teller	150,000
Bank at Napoleonville, La	Cashier	
Exchange bk, N. Orleans	President	
Pascoag bk, Rhode Island	Cashier	12,000
German bk of Wooster, Ohio	President	
Bk of Columbus, Georgia	Cashier	140,000
Augusta Ins. & Bkg Co., Ga		
Augusta branch of State bk of Georgia		
Georgia Insurance & Trust Co		
Two of the Savannah banks		
Lafayette br. of State bk of Ind.	Cashier	1,000
Planters' bk of Tennessee	Branch Cashier	20,000
Bk at St. Francisville, La		80,000

And to these we must add the following, which, though they occurred before the publication of our fourth number, and had been recorded in a previous number of the Journal, were omitted in the summary which we copied from the New-York Herald and Philadelphia Ledger.

Amherst bk, Mass	Officers	$24 000
Central R. R. Bank, Georgia	Sub Cashier	25,000
Alabama banks	Sundry persons	

We will leave it to the reader to make the necessary additions, and tell the total. Some of the blanks should be filled with large sums, particularly those against the banks of Alabama and the Morris Canal and Banking Co. The officers of the latter proved defaulters to the States of Michigan and Indiana in the amount of millions —say *five millions* for the sake of round numbers. It is not easy to calculate the amount out of which the Alabama banks have been defrauded through the connivance of officers.

Bank defaults are, as Dr. O'Toole would say, "part of the system." We once heard the President of a bank remark that he never had but *one* Cashier that did not rob him. Perhaps the officers think that as these institutions make their profits out of the public in a manner not the most equitable, there is no great harm in their taking a little to themselves. Be this as it may, a line of distinction must be drawn between defaults *committed* and defaults *discovered*. Some startling disclosures would be made, if all the banks in the country should be called on to wind up. The officers and stockholders generally have an *interest* in concealing defaults as long as possible.

BANK FAILURES.

In one short year we have had to record the failure of the following banks:—

Names.	*State.*	*Capital.*
United States bank	Pennsylvania	$35,000,000
Girard bank	Do	5,000,000
Pennsylvania bank	Do	2,500,000
Mechanics' bank	Do	1,400,000
Penn Township bank	Do	401,000
Manufacturers' & Mechan. bk	Do	483,764
Moyamensing bank	Do	250,000
Towanda bank	Do	150,000
Berks County bank	Do	99,000
West Branch bank	Do	100,000
Commercial bank	New-York	500,000
North Am'n Trust & Bkg. Co	Do	3,285,000
Washington bank	Do	100,000
Bank of Buffalo	Do	200,000
Commercial Bank of Buffalo	Do	400,000
Bank of Olean	Do	100,000
Commercial bank of Oswego	Do	250,000
Farmers' bank of Orleans	Do	299,180
La Fayette bank	Do	500,000
Watervliet bank	Do	250,000
Clinton County bank	Do	200,000
New York Banking Co	Do	352,745
Farmers' Bank of Amsterdam	Do	100,085
Farm. & Mech. bk of Rochester	Do	100,000
Bank of Lewis Co	Do	100,000
St. Laurence County bank	Do	136,675
New Hope Bridge Co	New-Jersey	319,472
Hausatonic R. R. bank	Connecticut	
Winthrop bank	Massachusetts	100,000
Bank of Bennington	Vermont	87,730
Agricultural bank	Maine	50,000
Still Water bank	Do	50,000
Bank of Steubenville	Ohio	52,810
West Union bank	Do	80,000
Urbana bank	Do	319,699
Newton Library bank	Do	

German Bank of Wooster	Ohio	108,654
Bank of Hamilton	Do	100,000
New Bank of Circleville	Do	
Lebanon Miami Banking Co.	Do	86,491
Farmers' Bank of Canton	Do	201,250
Miami Exporting Co.	Do	297,085
Bank of Cincinnati	Do	216,430
Exchange Bank of Cincinnati	Do	
Alexandrian Co	Do	204,928
Lancaster bank	Do	322,363
Bank of Chilicothe	Do	495,000
Bank of Cleveland	Do	322,140
Commercial Bk of Lake Erie	Do	500,000
Exchange bank	Indiana	
Bank of Mineral Point	Wiskonsan	100,000
State Bank of Illinois	Illinois	3,446,125
Real Estate bank	Arkansas	2,030,000
Union Bank	Mississippi	5,000,000
Chattahoochie R. R. bank	Georgia	151,750
Bank of Darien	Do	436,185
Bank of Rome	Do	200,000
Central R. R. bank	Do	2,016,359
Bank of Columbus	Do	400,000
Bank of Hawkinsville	Do	160,800
Orleans bank	Louisiana	424,700
Merchants' bank	Do	1,000,000
Improvement bank	Do	1,526,169
Exchange bank	Do	968,763
Atchafalaya bank	Do	788,000

In all sixty-five banks, or, including their branches, eighty-seven, having capitals of the amount of $74,820,552, and the returns of capital not complete.

Our Journal, the reader will recollect, was commenced in *July* 1841. In the Democratic Review for June, we find a list different from the above, and professing to give the names of the banks that have failed since the first of *January* 1841. In it, we find the names of nine banks in Buffalo, and eleven banks in other parts of New York, twenty in all, not included in our list, having an aggregate of capital of $2,913,000. And, also, the Planters' Bank of Columbus, Georgia; capital $535,000. This will make the total of failures among banks, eighty-six, or, one hundred and eight including branches; having an aggregate capital of $78,269,052.

If we go back a little beyond the first of January 1841, we should have to add, for banks and branches—

40 in Mississippi	$20,000,000
7 in Florida	4,000,000

And we know not how many in Michigan and the other States. But here alone, we have a total of 154 bank failures, including branches, and involving a capital of more than *one hundred million dollars*. Yet, so great is the *stolidity* of part of our population, that they still cling to the paper money system as that alone which can give wealth and prosperity to the country.

EXTRACTS FROM THE PRIVATE DIARY OF A CERTAIN BANK DIRECTOR.

No. XIII.

Sunday. The text this morning was Matthew, Chap. xxi, v. 12, 13.

"*And Jesus went into the temple of God, and cast out all them that sold and bought in the temple,* AND OVERTHREW THE TABLES OF THE MONEY CHANGERS, *and the seats of them that sold doves, and said unto them, It is written, My house shall be called the house of prayer; but* YE HAVE MADE IT A DEN OF THIEVES."

The preacher was a stranger. "Though," said he, "our Saviour while on earth, never failed to rebuke iniquity, wherever he met with it, in high and low, rich and poor, this is the only instance on record in which he evinced his displeasure with sin by personal action. In the parallel passage in John, we are told, that 'when he had made a scourge of small cords, he drove them all out of the temple.'

"And who were these whom he drove out of the temple? Among others, the *money changers*, the *bankers* of that day. Of this there can be no doubt, for the very word which is here translated *money changers*, is in the parable of the ten talents translated *bankers:* and it has its root in a word which signifies a *bench*, just as our English word bank, is derived from the Italian, *banco* a *bench*.

"And why were these bankers driven out of the temple? Because they had made it A DEN OF THIEVES!"

I heard no more. I saw plainly that the preacher was going to show that paper money banking had made our whole country one den of thieves; and I quietly slipped out of the back door of the meeting house.

PANIC IN NEW-ORLEANS.

We mentioned in our last that the Banks of N. Orleans had resumed specie payments. They sustained them bravely for some ten or twelve days. But then difficulties began among the banks themselves. Some of them refused the notes of the others, and this caused the public to doubt the stability of them all. The run on them was consequently tremendous. Seven of the banks in succession yielded to its force. And at the date of our last advices, the Union, the Louisiana, the Mechanics and Traders, and the Gas Bank, were all that were paying specie. The circulation of the last mentioned was only $5,000. The Municipality notes were at many per cent. discount; and general distrust and suspicion pervaded all ranks of society.

INCIDENTS.

The beautiful banking house of the United States Bank on Chestnut street, Philadelphia, is advertised for sale by the Sheriff.

It is said that about 10,000 persons throughout the country have applied for the benefit of the bankrupt law, and that their debts amount, in the aggregate, to about one hundred million dollars.

The Sheriff of Harden County, Kentucky, lately sold some cows at 37½ cents each.

Mr. Jas. S. Shermerhorn, the Secretary of the Ocean Insurance Company, of New York, has proved to be a defaulter in an amount exceeding 153,000 dollars. His case offers a striking illustration of the facilities our bank and corporation system affords for the perpetration of frauds. He has been carrying them on for about ten years. He lost the money in stock speculation.

At St. Louis, Missouri, there has been a *little* paper money riot.

Somebody has placed at the Exchange, Philadelphia, a memorial to Congress, to create stock to the amount of 200 million dollars and distribute it among the States!!

NOTICE.

The present number completes the first volume of the Journal of Banking: and with it the publication is, to use a fashionable phrase, suspended for the present. The patronage we have received, and the state of the currency in those parts of the country where there is the most disposition to support the Journal, will not justify our issuing proposals to publish a second volume.

A few subscribers, for the most part peculiarly situated, have not paid their subscription money. As our receipts will hardly cover the cost of printing and paper, leaving other expenditures out of the question, we hope they will not let the small sums due to us, escape their memory.

The war between specie and paper money is but just begun. In such a condition of affairs, there *ought* to be a Journal of Banking in which facts could be recorded in such a way as to be easily referred to hereafter, and questions discussed without reference to personal or party politics. But no Journal of Political Economy or Statistics, in either Europe or America, that we have been able to hear of, has ever repaid expenses; and we must of necessity seek some other pursuit.

From different quarters, east, west, north, and south, we hear that our labors have had a salutary effect; and we regret that it is not in our power to complete our original plan. We wished particularly to bring down the History to the present time. The continuation would prove both interesting and instructive. We wished also to offer a series of essays on the *moral character* of the Banking System, leaving out of view all questions of mere expediency—to give further thoughts on the True Principles of Commercial Banking—to discuss various questions connected with the Science of Currency that have as yet been but slightly touched upon—to communicate various particulars respecting the banking and paper money systems of other countries—to treat of the question of "equitable adjustment" of debts—and to give some general tables which we have on hand, and which would prove highly useful for reference.

But there is no effective demand on the part of the public at large, for this kind of reading, and our own pecuniary means are so limited that we can no longer labor in a business which affords us no remuneration.

SUBSCRIBERS' NAMES.

In the 19th No. of this Journal, we intimated that we had some thoughts of publishing a list of subscribers at the end of the year, if we could make room for it. We regret that we have not room for it. It is, we think, a highly respectable list. In saying so, we do not estimate respectability by the length of a man's purse or by the station he occupies in society; but by his moral character and intelligence. We intended our Journal especially for farmers and mechanics and others who earn their bread by the sweat of the brow, and we take pride in saying that we have the names of a considerable number of them on our subscription list.

But our list is not confined to them. We have on it the names of a number of professional men. Of Doctors of Medicine so many that we could not but express our surprise thereat, till informed that gentlemen of this profession are usually fond of political economy. Of Doctors of Divinity, we have the names of *very* few. Though political economy, as a branch of moral science, falls properly within the range of the professional studies of the clergy, they, as a body, strangely neglect it, and of the most important branch of this study, The Science of Currency, most of them are deplorably ignorant. Of gentlemen of the bar, we have, of course, a goodly number. Of members of Congress about eighty, besides many who *have been* members of Congress, and many others who *will be*. We have also the names of some five or six gentlemen who have filled cabinet offices in the United States Government, and those of one or two who have occupied even higher stations. To these we add the names of many who fill, or who have filled distinguished stations in the State Governments; the names of some of the embassadors of foreign powers, and lastly the names of some of the most distinguished literary characters in the country.

The opinion that dissatisfaction with the present banking system is confined to those whose own hard fortune has made life bitter to them, is not confirmed by our subscription list. There is on it a full proportion of large (solid) capitalists.

The whole number of our subscribers, it may not be amiss to mention, is between fifteen and sixteen hundred, about twice as many, as well as we can ascertain, as have ever been obtained for any other Journal of Political Economy or Statistics. This we are disposed to attribute, not to our Journal being twice as good as some that have preceded it, but to its being twice as cheap. The subscribers are scattered through *all* the States and Territories. This number would have more than paid the mere costs of publication, if we had not been obliged to incur some extra expenses, through our want of knowledge of the number of copies we should be called on to supply.

P. S. As a number of Bank Presidents and other Bank officers are subscribers to the Journal, the list of names would not, if published, be an unerring index to those, who in different parts of the country, sincerely, and of *full heart*, desire to see our banking system *thoroughly* reformed.

COMPLETE SETS OF THE JOURNAL.

We have on hand some complete sets of the Journal of Banking which we can put up in such form that they would probably reach the most distant post offices in excellent condition.

The price will be the same as at first; namely, for one copy $1 50: for four copies, $5: for ten copies, $10. Copies half bound, with leather backs, and gilt lettering, will cost 25 cents, each, additional. If orders for them should be sent on immediately, they could be forwarded to Washington before the close of the present session of Congress.

"I have labored," says Mr. Carey, who was embarked in the same cause, "under a most discouraging destitution of materials. Those whose province it was to furnish them, have most cautiously forborne from the communication, in the most extraordinary manner."

In another sentence, he says, "the obligation of secresy in banking transactions, precludes a writer who undertakes the defence of such an institution, from many of the most important data, on which his reasoning may depend. * * * * Were I possessed of a statement of the specie in the different banks of Philadelphia—and were it proper to disclose it."

For many years this veil of mystery was not removed; if, indeed, it can now be said to be removed. "I have found," said 'A Friendly Monitor,' writing in 1819, "considerable embarrassment in obtaining the most simple information in relation to the Bank (that is the second Bank of the United States.) If I ask a director, the seal of his finger is significantly impressed on his lips. There is a species of masonry in banking which to a certain extent is highly proper and necessary. It implies a mutual pledge among the directors, that nothing shall be divulged which may be prejudicial to the interests of the Bank."

Before the suspension of specie payments, no regular returns were received by the legislature of Pennsylvania from the banks in this commonwealth. Since that time, accounts have been published annually: but as the Bank of Pennsylvania and the Bank of North America have in many years made no returns, it is impossible to give a general table from which indisputable conclusions might be drawn.

In some of the other States, the difficulty of obtaining satisfactory accounts of the extent of bank operations, is more difficult than in Pennsylvania. During the great excitement of 1818–19, Mr. Niles made an effort to collect information respecting all the banks then in existence; but, though his correspondence was very extensive, he does not appear to have succeeded in his object; for the tables which he gave notice of his intention of publishing, do not appear in his Register.

In 1820, Mr. Crawford, who was then Secretary of the Treasury, made a report on the state of currency, in connexion with which he gave a table intended to show the amount of capital paid in, the notes in circulation, the public and private deposits, and the specie in the banks in 1819. Mr. Niles, on publishing the table said, "it will be seen the preceding returns are very imperfect—as, for instance, the capital paid in, in Maryland, is given at 86,290, whereas it is nearly eight millions of dollars. Several of the other items I know, from various documents in my possession, are pretty nearly correct; yet some are also much deficient."

Mr. Gallatin, who was for many years Secretary of the Treasury, published, in 1831, "Considerations on the Currency and Banking System of the United States." A comparison of his estimates with those of Mr. Crawford, will show the difficulty there is in arriving at a satisfactory conclusion.

Mr. Crawford's estimate of the amount of notes in circulation, is as follows:

1813	$ 62,000,000
1815	110,000,000
1819	45,000,000

Mr. Gallatin's estimate is as follows:

1811	$28,000,000
1815	45,000,000
1816	68,000,000
1820	44,863,349
1830	61,323,898

Mr. Gallatin appears to have had more data than Mr. Crawford, but his tables are, notwithstanding, so imperfect, that variations of from five to twenty-five per cent. may take place in the amount of currency, which they afford no means of ascertaining.

To collect and arrange the accounts of five or six hundred banks which are, or which have been, scattered through twenty-four States and two or three Territories, would be no easy task.

If we had all these accounts collected and arranged to our hand, a question might arise as to the sense in which they should be understood. There is an ambiguity in many bank statements which renders them useless. The word "cash," under the pens of some bank officers, contracts and expands its meaning with as much facility as bank medium contracts and expands its amount. Sometimes it includes "mint certificates," because cash can be got for them in the market. Sometimes, in the case of a country bank, it includes city bank notes, because they are to the country bank "as good as cash." Sometimes cash and "bills of exchange" are lumped together.

If all ambiguity were removed from bank statements, another question might arise, and that is, how far they are to be depended upon. We have seen a committee of the legislature of North Carolina accusing one of the banks of that State of rendering a false account of

the specie in its vaults; and a committee of the legislature of Connecticut accusing one of the banks of that State of giving a false statement of the amount of notes in circulation.

No doubt, the accounts of many banks are fairly rendered, but it is impossible, in a general view of the subject, to say how many bank returns are faithful, and how many are not. There may be a literal exactness in the returns, and yet some fact may be suppressed, which, if generally known, might entirely change the impression the public receives from a bank document. "I could," says a writer in a Portsmouth, New-Hampshire, paper, "name more than one bank in this State, where a considerable portion of the debts mentioned in the return, were worth nothing; and much of the specie was borrowed from individuals or banks, laid in the vaults those two days, and then returned to the owners with the seals unbroken." The author of a pamphlet published at New-York, in 1828, entitled "A Peep into the Banks," objected to a new law of that State, requiring the banks to make semi-annual returns of the amount of specie in their vaults, for the following reasons. "It is well known, that institutions which, heretofore, have been required to make these exhibitions, have prepared, previous to the period of making them, to present as favorable statements as possible. If all the banks in the State are to do so, it will produce a semi-annual pressure for money. Paper, payable a short time previous to these periods, will be discounted freely, when a general curtailment will be made. The notes and bills payable out of the State, will obtain a preference, that thereby funds of specie, in Philadelphia, Boston, &c., may be made for a few days the property of banks in this State. In this and other contrivances, the officers will be employed to make a display of that which has no permanent existence."

There is another question. Do even the directors know, in all cases, what is the exact state of a bank?—There are not in the city and county of Philadelphia, any men more astute in what regards their own interests, than certain directors of the Bank of the Northern Liberties; yet a sum equivalent to the whole capital of the institution, was taken from it by some of its clerks and their coadjutors out of doors, without any of the directors, the president, or cashier, being aware of the fact. The case of the City Bank of Baltimore, was still more remarkable. It had what was called a "solid" capital of 800,000 or 900,000 dollars, and its credit was good. But about the time Mr. McCulloh was removed from the cashiership of the United States branch, the cashier of the City Bank found it necessary to resign. An investigation was then made by a committee of the stockholders, and it was found that all the persons employed in the Bank, with the exception of one clerk and the porter, had made free with its funds. The overdrafts of the cashier amounted to $166,548 85: those of his particular friend to 185,382 dollars; those of one clerk to about 30,000 dollars; those of a second clerk to $15,082 70; and those of a third clerk to $6,324 99.*

It is to be hoped that most bank officers are every way worthy of the trust reposed in them; but even then we cannot be sure of the accuracy of their accounts. As is remarked by Governor Wolcott, "the stations of president, cashier, teller and book-keeper, are incompatible, and yet some two or more of them are united in the same persons, contrary to established maxims of accountability, prudence, and even justice to the individuals who are so intrusted. If, at the close of the hours of business in every day, full accounts of all the funds issued, and of securities obtained and discharged, are not immediately stated, their accuracy ascertained, and their results extended into records, which are regularly continued, by persons whose peculiar duty it is to note all these facts, according to established forms; then the transactions of different days will be blended, and soon all individual responsibility will be irrecoverably lost."

While so much obscurity and so much uncertainty hangs over bank records, the reader will be content with an abstract of the tables of Mr. Gallatin. We have been for seven years collecting the accounts of the banks, but so little success has crowned the labors of Mr. Crawford, Mr. Gallatin, and Mr. Niles, that we do not think it worth while to arrange our own materials.

Number of Banks in operation at different periods, and number of Banks that failed, or discontinued business, from 1st January 1811 to 1st January 1830.

	1811.	1815.	1816.	1820.	1830.	*Broken Banks.*
Massachusetts,	15	21	26	28	66	6
Maine,	6	8	14	15	18	8
New-Hampshire,	8	10	10	10	18	2
Vermont,				1	10	
Rhode Island,	13	14	16	30	47	1
Connecticut,	5	10	10	8	13	2
New-York,	8	26	27	33	37	10
New-Jersey,	3	11	11	14	18	7
	58	100	114	139	227	36

* Niles' Register, October 30th, 1819.

Brought forward,	58	100	114	139	227	36
Pennsylvania,	4	42	43	36	33	16
Delaware,		5	5	6	6	1
Maryland,	6	17	20	14	13	9
District of Columbia,	4	10	10	13	9	4
Virginia,	1	4	12	4	4	10
North Carolina,	3	3	3	3	3	2
South Carolina,	4	5	5	5	5	2
Georgia,	1	2	3	4	9	1
Louisiana,	1	3	3	4	4	2
Alabama,				3	2	3
Mississippi,		1	1	1	1	
Tennessee,	1	2	4	8	1	8†
Kentucky,	1	2	2	42		43
Ohio,	4	12	21	20	11	20
Indiana,				2		2
Illinois,				2		2
Missouri,				1		2
Michigan,					1	1
Florida,					1	
	88	208	246	307	330	165

We have another list, which contains the names of twenty-eight broken banks not mentioned in Mr. Gallatin's table, viz: one in Massachusetts, one in Maine, three in New-York, three in Pennsylvania, one in Delaware, one in the District of Columbia, two in Virginia, one in Georgia, four in Kentucky, eight in Ohio, one in Indiana, one in Illinois, and one in Michigan. Even this, however, does not appear to be complete. No list has yet been published of the number of banks in operation in the the first six months of 1818, which was the time the mania reached its height; and Mr. Gallatin, with all his industry, has not been able to give a complete list of all the banks which were in operation in the years mentioned in the above table. There were, for example, two if not three banks in Missouri in the year 1820.

Mr. Gallatin's estimate of the capital of the banks, the notes in circulation, and specie in their vaults, at different periods, is as follows:

	Capital.	*Circulation.*	*Specie.*
1st Jan. 1811,	$52,610,601	$28,100,000	$15,400,000
1815,	82,259,590	45,500,000	17,000,000
1816,	89,822,422	68,000,000	19,000,000
1820,	137,110,611	44,863,344	19,820,240
1830,	145,192,268	61,323,898	22,114,917

In making these estimates, Mr. Gallatin was forced to *guess* at the amount of specie possessed by, and the amount of notes circulated by, thirty-eight banks in 1811, eighty-eight banks in 1815, one hundred and twelve banks in 1816, ninety-five banks in 1820, and forty-nine banks in 1830. Where he had returns they were not all of the same dates, and in some years the returns were from but little more than half the whole number of banks. After all, his *guesses* may be as near the truth as some bank statements.

† Including five Branches.

Nothing is more certain than political economy. Nothing is more uncertain than political arithmetic.

Bank statements, taken by themselves, are too vague to be made the basis of an argument. We have, however, throughout this book, received them without dispute, because we believed them to approximate sufficiently near the truth to serve the purposes of illustration. Abstract signs would, if generally understood, answer the same end. Bank statements may be used with this view, though, taking them in the aggregate, they may not be worthy of implicit confidence. That the banks should make such reports as will place their operations in the most favorable light, is natural.

If any think differently, and are disposed to reason *a priori* with bank statements for their basis, we hope they will avoid the error of some modern writers, who have represented an increase of some eight or ten millions in the circulation of a single bank in a year or two as quite gradual and moderate. If Mr. Gallatin is correct in his conjecture, that the whole amount of medium, bank notes, bank credits, and specie in circulation, is but one hundred and ten or one hundred and twenty millions, an increase of ten or twelve, or fifteen per cent., in one of these components of the currency, must have a very considerable effect on prices. This able writer is confident that the amount of notes in circulation did not exceed thirty millions in 1811, forty-seven millions in 1815, and seventy millions in 1816: yet this he thinks, and he probably thinks justly, is quite sufficient to account for the depreciation of the currency. He agrees with Mr. Crawford in the opinion, that the notes in circulation were not reduced to a less amount than forty-five millions in 1820: yet his judgment is, that the numerous failures which preceded the year 1819, or which have since taken place, have been principally owing to the operations of the banks.

Full and correct accounts of the condition of the banks would be useful: but, to those who understand principles, they are not indispensible. The effects of banking are inscribed on every page of our country's history, from the year 1783, up to the present day. Those who have been in business can speak of these effects from their own experience. Those who have never been in business, have only to open their eyes, and they will behold the effects of the system in the condition of different classes of society.

Many of the operations of the system are such that they cannot be embraced in the annual reports made by the banks to the legislature. Fluctuation of prices is but one of the evils of paper money banking, and that not the greatest. If it were possible for a metallic currency to vary in amount as bank medium varies, such variations would be limited in their effects, for they would not operate on a false and super-extended system of credit, nor would the evil be aggravated by the machinations of irresponsible boards of directors. Paper money must be regarded as the foundation of the American Banking System, since the founders of banks would not, if they were prevented from issuing paper money, accept of charters; but this paper money does less evil as an uncertain medium of commerce, than is produced by its being made the instrument by which the foundation is laid for a false and super-extended system of credit, and by its giving to corporations a power which enables them to exercise an influence on society nearly as great as that which was exercised by feudal lords in the middle ages.

CHAPTER XXIV.

General Reflections.

Our American Bankers have found that for which the ancient alchymists sought in vain; they have found that which turns every thing into gold—in their own pockets; and it is difficult to persuade them that a system which is so very beneficial to themselves, can be very injurious to the rest of the community. They exclaim, as perhaps some of the rest of us would exclaim, if we were in their situation, "every thing goes on very well:" thus verifying the remark of Say, that "some persons who, under a vicious order of things, have obtained a competent share of social enjoyments, are never in want of arguments to justify to the eye of reason such a state of society. If the same individuals were to-morrow required to cast anew the lots assigning them a place in society, they would find many things to object to."

Not a few who have no interest in banks, are equally devoted to their support. They appear to think that if bank notes were withdrawn, there would be no money in the country—no credit—no trade. They have a vague notion that the wealth of the country is chiefly, if not entirely, owing to the banks.

This is not surprising. The institutions to which men have long been accustomed, they believe to be necessary to social order. Church establishments were once regarded in this light, and hereditary nobility also. The distinguished writer whom we have just quoted, says: "Certain individuals, who have never caught a glimpse of a more improved state of society, boldly affirm that it cannot exist: they acquiesce in established evils, and console themselves for their existence by remarking that they could not possibly be otherwise—in this respect reminding us of the Emperor of Japan, who thought he should have been suffocated with laughter on hearing that the Dutch had no king. The Iroquois were at a loss to conceive how wars could be carried on with success, if prisoners were not to be burnt."

Some of our countrymen who are aware of the evils of the Banking System, seem to think all discussion of it superfluous, apparently regarding it as a system so deeply rooted that it must exist in perpetuity. What always has been, always will be; but we know of no reason why banking should be exempt from the vicissitudes which usually attend human institutions. Banking with convertible paper, has been known in England for about one hundred and forty years, and in the United States for about fifty. England, in prohibiting the issue of all notes of a less denomination than twenty-four dollars, has begun to retrace her steps. In the United States we are far behind England in this respect, yet bank notes may, fifty years hence, be found only in the cabinets of the curious. The penny notes which were issued by the Bank of North America, about the year 1790, are already regarded as rarities by the virtuosi.

Banking, it must be admitted, is deeply interwoven with all the business, the interests, operations, and even the rights of society, public and private. But so was the feudal system, which had an effect, in the middle ages, similar to that which the paper system has in modern times. Like the feudal system, the paper system divides the community into distinct classes, and impresses its stamp on morals and manners. In the progress of society it may be as necessary to pass through the one as it was to pass through the other; but the feudal system is giving

way in Europe to enlightened reason, and it may, at least, be hoped, that the paper system will not last forever in America.

The comparison some writers are fond of making between paper banking and steam power, is—only a comparison. It is not an argument, and it is not, in all respects, just, even as a comparison. Steam power is *essentially good*. Paper money banking is *essentially bad*. Against accidents in the use of steam, effectual guards may be provided. No checks which can be devised, can make paper credit banks innoxious.

We may amuse ourselves by contriving new modes of paper banking. We may suppose that a kind of money which has been tried, in various forms, in China, Persia, Hindostan, Tartary, Japan, Russia, Sweden, Denmark, Austria, France, Portugal, England, Scotland, Ireland, Canada, the United States, Brazil, Buenos Ayres, and which has every where produced mischief, would, if we had the control of it, be productive of great good. We may say, it is true, that paper money has always produced evil, but it is because it has not been properly managed. But, if there is not something essentially bad in factitious money, there seems to be something in human nature which prevents its being properly managed. No new experiments are wanted to convince mankind of this truth.

Any new paper money that we may devise must be issued either by individuals, by corporations, or by the government. If it should be issued by individuals, it would not be a new experiment, for that has been tried in Scotland. Of the result, an eye-witness shall speak for us. Mr. McCulloh, in his Historical Sketch of the Bank of England, recently published, says, "the example of the Scotch banks may here be referred to. They are most liberal of their advances so long as they conceive they run no risk in making them; but the moment alarm and discredit begin to make their appearance, they demand payment of every advance that is not made on the very best security; they cease, in a great measure, to discount; and provide for their own safety, by ruining thousands of their customers."

Such must ever be the effect of "convertible" paper. Commercial credit is an excellent thing, but it requires metallic money as an accompaniment, to prevent its being carried to excess.

If we give to corporations the power to issue paper money, we produce other evils. The very act of establishing a money corporation destroys the natural equilibrium of society. As is remarked by Raymond, "sound policy requires that the natural equality of men should be preserved as far as practicable: and it is the duty of government to preserve this natural equality, so far as equal laws, and equal rights and privileges will preserve it; to keep all the members of the community as distinct and independent as possible; to preserve the individuality of the citizens, and to discourage, as far as practicable, all associations for the purpose of giving to those combined an artificial power."

On the subject of paper issues by government, the warning voice of Alexander Hamilton may be heard. His words are—"The emitting of paper money is wisely prohibited to the State Governments, and the spirit of the prohibition ought not to be disregarded by the United States Government. Though paper emissions under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable, to the like emissions by the States, separately, yet they are of a nature so liable to abuse—and it may even be affirmed, so certain of being abused—that the wisdom of government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. In times of tranquillity it might have no ill consequence; it might even perhaps be arranged in a way to be productive of good: but in great and trying emergencies, there is almost a moral certainty of its being mischievous."

Government issues of paper would be incentives to extravagance in public expenditures in even the best of times; would prevent the placing of the fiscal concerns of the country on a proper basis, and would cause various evils. Nor is a system of banking in which the government should deal in exchanges, after the manner of the Bank of the United States, at all desirable. It would be as reasonable in a man to wish his flour transferred from Pittsburg to Charleston by the public authorities, as to wish his money transferred through such a medium from St. Louis to Philadelphia. To manage its own fiscal concerns, and manage them well, is as much as is in the power of any government. The financial operations of the United States Government should be limited to the collecting, safe-keeping, and disbursing of the public moneys, and the transferring of them from the places where they are collected, to the places where they are disbursed. Further than this, govern-

ment should have no more concern with banking and brokerage, than it has with baking and tailoring.

Why should ingenuity exert itself in devising new modifications of paper banking? The economy which prefers fictitious money to real, is, at best, like that which prefers a leaky ship to a sound one. With private bankers, trading on metallic money, and with public offices of transfer and deposit, we can secure all the good of the present system, and get rid of all the evils.

A reform will not, however, be accomplished, as some suppose it may, by granting charters to all who apply for them. It would be as rational to attempt to abolish a political aristocracy by multiplying the number of nobles. The one experiment has been tried in Germany, the other in Rhode Island.

Competition in that which is essentially good—in farming, in manufactures, and in regular commerce, is productive of benefit: but competition in that which is essentially evil, may not be desirable. No one has yet proposed to put an end to gambling by giving to every man the privilege to open a gaming-house.

"It has often been said," remarks the author of 'A Peep into the Banks,' "that the evils of banking will work their own cure; and this doctrine has been advanced years ago. The evils have continued, and even increased, without the cure so long promised being produced. But even admitting the cure to the extent to which it is maintained, is it wise to create a disease, because a cure will be effected? Is not prevention better than cure? Is it desirable that confidence should be placed in the responsibility of persons and companies, and to suffer loss in order to shake the confidence of the community respecting all securities? The doctrine is so absurd, that it might be doubted whether it ever had any real advocates. The idea has been advocated upon the presumption that whenever incorporated companies could not make interest for their capitals, no more would be applied for. This, however, is not the fact, inasmuch as the generality of applications have not been with a view of investing, but on the contrary, of creating capital. It is, therefore, futile to calculate upon a cure being effected by the small dividends such companies may make, as that is not the object of pursuit. So long, therefore, as there are any persons wanting capital, we may expect there will not be wanting applicants for the power to create capital. THE EVIL WILL BE CURED BY ITSELF, AS A NATURAL DISEASE IS ENDED BY TERMINATING IN DEATH. When a total annihilation of all credit takes place, and public confidence is destroyed, then the evil will terminate by self-destruction."

A bad system cannot be abolished, and a good one established in its place, without exertion: but the necessary labor will not, perhaps, be as great as many imagine. The common-sense notions of money have never yet been obliterated from the minds of the great body of the people. The sophistry of the bank men silences, but does not satisfy them. They may feel themselves unable to reply to the ingenious arguments of the advocates of paper medium, but they think within themselves, with an honest old German farmer of Pennsylvania, "You may say what you will, but paper is paper, and money is money." Thousands of them know the evils of banking by personal experience. Thousands of others have seen the effects of the system displayed in the ruin of their neighbors.

The power is at present in the hands of the bank interest, but by exertion the seat of power may be changed. If our leading politicians should be as zealous on this question as they have been either for or against the tariff, that *want of inclination* which is the only real obstacle to the establishment of a sound system of credit and currency, will be overcome. Great difficulties may be encountered at the outset, but they will yield to zeal and perseverance. Nine Americans in ten, if not ninety-nine in a hundred, have an interest in the downfall of the paper money and money corporation system, and it is impossible for them not to see, sooner or later, where their true interest lies.

For the salvation of the country, we must look to the farmers and mechanics. The mercantile classes are so entangled in the meshes of the banks that they cannot yield much assistance. For similar reasons, little must be expected from public journals in the towns where banks are in operation. If the editors are not in debt to these institutions, they are dependent, in a great degree, on the patronage of the bank interest for support: and it would be unreasonable to wish them to sacrifice the means of subsistence of themselves and families to promote a public object, while the great body of the public is disposed to make no sacrifice at all.

The good work should be begun in the country, where there is the strongest motive

to begin it; for, the present Banking System enriches the towns at the expense of the country, and the large towns at the expense of the small ones. In some counties, there are, as yet, no banks. There the public papers may discuss the question freely. In due time, the conductors of some city journals may find it possible to speak on the subject without reserve, and perhaps find their interest thereby promoted.

If inducements are wanted for exertion, they are afforded in the history of the country, from the time of the introduction of paper money into Massachusetts, up to the present day. Let any man think on the wrongs that were inflicted by the instrumentality of provincial paper money—of the many thousand families who were ruined by continental money, and who lie in ruins to this day—and of the multitudes who have been reduced to poverty by various banking processes. Let him then trace the system in its remote consequences—in its effects on morals—on manners—on education—on happiness. Let him consider that the same causes being now in operation must produce the same effects, and he will, if he has one spark of real patriotism in his breast, be willing to make any exertion which will not interfere with his duty to himself and to his family.

If the work were once fairly begun, assistance might, perhaps, be obtained from some quarters, from which, on a first view, the most violent opposition might be feared. There are strong indications of dissatisfaction in the official reports of some of the banks. From the language they use in private conversation, no men appear to have clearer views of the evils the public suffer, than some of the officers of these institutions. They have conformed to a system which they found established in the country, but if a sincere desire should be evinced by the people to introduce a better system, not a few presidents, cashiers, and directors, may be found willing to yield all the aid that lies in their power.

There are reasons, besides those which spring from patriotic motives, which should make men of property very desirous to see the foundation laid of a system of sound credit and sound currency. They now hold their wealth by a very uncertain tenure. It may pass from them as rapidly as it came to them. In one respect the comparison of paper banking with steam power is an apt one. The danger of an explosion is very great, and the effects of an explosion would be tremendous.

The attempts at corrective legislation which the sufferings occasioned by paper banking are sure to induce, offer other motives for reflection to men of property. The "relief system" of the west, and the "tariff system" of the east, are but specimens of what is to be expected. As it has become a kind of principle that when the evils produced by paper money rise to a certain height, they are to be cured by more paper money, we may see a return of the times spoken of by Dr. Witherspoon, "when creditors were seen running away from their debtors, and debtors pursuing them in triumph, and paying them without mercy."

If the virtue and intelligence of the nation should direct the movements of government during the ten or twenty years which might elapse in the gradual withdrawal of bank notes and bank credits, the people would suffer less from the application of the remedy, than they must otherwise suffer from the operation of the disease. Clamors might, indeed, be excited; for some of the community are always mistaking want of money's worth for want of money—want of things to be circulated for want of circulating medium. But such clamors ought to be disregarded. The work of reform once begun, should be steadily persevered in. If a State Government, after having prohibited the issue of notes of a less denomination than five dollars, should afterwards be prevailed on by complaint of "want of money" to repeal the law, it would act with the same wisdom as a surgeon, who, being engaged in the amputation of a diseased limb, should be frightened by the cries of the patient, and withdraw his knife after having cut through the first artery.

If we should go to work too hastily—if Congress should, for example, exerting its constitutional power over the currency, pass an act prohibiting on short notice the issue of bank notes of any and every denomination, its conduct would be like that of a surgeon who should endeavor by one random slash of his knife to remove a diseased member. This is an evil, however, of which no fears need be entertained. All that it will be necessary for Congress to do, will, probably, be to declare that, after a certain day, nothing but gold and silver shall be received in payment of dues to government, and that no corporation shall be an agent in the management of its fiscal concerns. The people will

then begin to distinguish between cash and credit: and public opinion will operate with so much force on the State Governments, that they will, one by one, take the necessary measures for supplanting paper money by metallic.

Proceeding gradually in winding up the affairs of the banks, the stockholders will get the real worth of their stock, whatever that may be, and more than this they are not entitled to. Many of the officers of banks will be subjected to little inconvenience, as it is to be presumed, that, under a better system, their talents and industry will insure them as ample a reward as they receive at present.

When the work is done, the condition of the country will be very different from what it would have been, if paper money and money corporations had never been known. A system which has been in operation in different forms, for more than one hundred and forty years, must, by this time, have affected the very structure of society, and, in a greater or less degree, the character of every member of the community. It may require one hundred and forty years more, fully to wear out its effects on manners and morals.

In getting rid of paper money and money corporations, we shall not get rid of that *principle* of evil, in which they have their origin: but we shall get rid of very efficient *instruments* of evil. Our political institutions will then have their proper influence. Conjoining equality of commercial privileges with equality of political rights, we shall no longer startle those philosophers of Europe who land on our shores, by exhibiting to them a state of society so different from that which their views of republicanism had led them to hope for. We have heretofore been too disregardful of the fact, that social order is quite as dependent on the laws which regulate the distribution of wealth, as on political organization. Let us remove these excrescences by which our excellent form of government is prevented from answering its intended end, and our country will become "THE PRAISE OF ALL THE EARTH."

APPENDIX.

BANK OF NORTH AMERICA.

The opinion the Pennsylvania Legislature of 1786 had of grants to corporations, may be judged of by the following extract from a speech by Mr. Smilie.

"There are charters so sacred that they cannot be revoked. But there is a material distinction between charters, and the opinions of many have been wrong on that head. When once an error is taken up, men go on a long time in delusion. There are many things which we now consider as absurd, which were formerly venerated, for want of being properly considered. The doctrine of hereditary right, which is now held odious, was once deemed sacred. There is a strong reason why persons from Europe are so highly prejudiced in favor of charters. In the twelfth and thirteenth centuries, Europe was in the lowest state of vassalage—the people were in some measure rooted to the soil, and sold with it. While affairs were in that situation, the kings and powerful barons granted charters of incorporation to towns and cities, thereby exempting them from the common vassalage of the state, and bestowing on them particular immunities; thus giving them political existence. These charters were sacred, because they secured to the persons on whom they were bestowed their natural rights and privileges. But there are, sir, charters of a very different nature. And here it is necessary to fix the point of distinction. Charters are rendered sacred, not because they are given by the Assembly or of the Parliament, but by the objects for which they are given. If a charter is given in favor of a monopoly, whereby the natural and legal rights of mankind are invaded, to benefit certain individuals, it would be a dangerous doctrine to hold that it cannot be annulled. All the natural rights of the people, as far as is consistent with the welfare of mankind, are secured by the Constitution. All charters granting exclusive rights, are a monopoly on the great charter of mankind."

Mr. Lollar said, "the House which granted it (the charter) entertained no idea for its being for a perpetuity, or of its being out of the power of the Assembly to alter or new-model it, as they might see fit. In support of this, Mr. Lollar quoted the minutes of that House, where it appeared that a clause had been introduced as a rider to the bill, for the purpose of empowering the Assembly that should sit in 1789, to alter or amend the charter as might be necessary. This was rejected by twenty-seven to twenty-four, and the express reason assigned for the rejection was, that the charter of the Bank must necessarily be always in the power of the House."

"What is all this to us?" said Mr. Morris in reply. "Are we to regulate our conduct by the private opinions of former members of Assembly?"

The friends of the Bank maintained, that the Legislature had no power over a charter once granted, and that the courts of law alone had power to declare a charter forfeited.

There are traces of a Bank in Virginia, previous to the establishment of the Bank of North America, but we have not been able to learn any thing satisfactory concerning its character.

Date Due

May 4 '39			
May 5 '40			
APR 1 '42			
RES Jan 25 '57			
REC'D JAN 24 1957			
FACULTY			
REC'D OCT 5 1961			

Date Due

May 4 '39			
May 5 '40			
APR 1 '42			
RES Jan 25 '57			
REC'D JAN 24 1957			
FACULTY			
REC'D OCT 5 1961			